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ABSTRACT

Hearings on reauthorization of the Higher Education Act of 1965 that were held in both Notre Dame, Indiana, and Washington, D.C., in 1985 are presented. Title IV of the Act, which authorizes student financial aid programs, is the focus. The Pell Grant program is aimed at the lower-income student, and the Guaranteed Student Loan (GSL) program leverages private capital through federal guarantees. The campus-based programs and the State Student Incentive Grant program, which encourages states to set up their own grant programs, have provided aid to needy students and to middle income students who were ineligible for basic grants. During the reauthorization process, one of the major issues is who should be provided student aid. Discussion centered on whether or not eligibility should be restricted on the basis of income. A concern is whether to ration the available aid to first-time students, or whether to provide aid to older students who are returning for continuing education and career development. Subsidies to students receiving aid through the GSL program and loan repayment are additional issues, as are rationing student aid on the basis of cost of education, and the priorities of access to college versus choice. Other programs under the act include international education, cooperative education, institutional aid, and TRIO programs. (SW)

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REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EDUCATION,
ARTS AND HUMANITIES

OF THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

EXAMINATION OF RECOMMENDATIONS AND PROPOSALS OF THE AD-
MINISTRATION AND OTHER EDUCATIONAL COUNCILS REGARDING
THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT

SEPTEMBER 9, 1985, NOTRE DAME, IN
SEPTEMBER 10 AND 12, 1985, WASHINGTON, DC

PART 3



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REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

MONDAY, SEPTEMBER 9, 1985

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Notre Dame, IN.

The subcommittee met, at 9 a.m., at the Continuing Education Center, University of Notre Dame, Notre Dame, IN, Senator Dan Quayle presiding.

Present: Senator Quayle.

Mr. O'MEARA. Ladies and gentlemen, my name is Timothy O'Meara, and I am the provost of the university. Our president, Father Hesburgh, is in Washington today and, on his behalf, I would like to welcome you to the university. We are very pleased to have these hearings here. And we also realize, as you all do, how important the reauthorization is to higher education.

So, welcome, Senator Quayle. It is good to have you on the campus, and also all the witnesses and to everybody present.

OPENING STATEMENT OF SENATOR QUAYLE

Senator QUAYLE. Why do we not go ahead and get the first panel seated, if you will. Dr. Schnabel and Dr. Beering, Dr. Ryan and Dr. Ingle.

I will go ahead and officially call this hearing to order.

As most of you know, I am a member of the Senate Education Subcommittee which will have the jurisdiction over the Reauthorization of the Higher Education Act. Technically, it expires this year, but there is an automatic 1-year extension. We will probably be doing most of the work and most of the reauthorization next year, hopefully, to get it done by September 30 of next year.

But as we proceed to have a discussion on how the legislation ought to look, I think the best thing to do from time to time is to call on the experts and see from their viewpoint how successful the Higher Education Act has been and the modifications that possibly can be made.

I am very deeply indebted to the number of recommendations that have been made by the Indiana Conference of Higher Education. Your report is the only one in the Nation that is like this; and you got, I think, over 170 people representing college presidents and universities to agree. If I could just get the Indiana farmers to get together on the agricultural problems, I would be in really great shape.

(1)

But I think congratulations are in order because it certainly is helpful to me. I have dispersed this report to many of the people in the Congress, around the country, and feedback has been very, very positive. So, as far as having an input, Indiana certainly is going to have a definite footprint on what this legislation is going to look like because we were out there first in developing consensus.

As you look at the continual struggle with the budget deficit, there is no doubt that we have got to look for any kind of efficiencies and improvements in the program. We have got a lot of tough policy choices to make, policy choices on how we get our student aid, grants, and loans geared to not just the traditional student but the ever-increasing nontraditional student. And what role does that individual have and will he have the same kind of requirements, the same kind of access that were afforded to the traditional student over the years.

There has been a lot of discussion of, perhaps, a cap on the family income for GSL eligibility. The administration started off with a 32,000 cap. Now, the budget reconciliation calls for savings to be realized of \$800 million in the GSL program over the next 3 years. And, you know, that is no small task. When you sit down and try to get that amount of money and \$100 million in the first fiscal year, 1986, there are going to have to be some changes. But we also have got to be exceedingly sensitive about preserving access to education that has served this country of ours so well. Denying access would be, in my opinion, not only counterproductive but morally and ethically wrong.

As we review the act we have to define the limitations and the boundaries of the policies that are going to preserve access to higher education that we have certainly benefited from.

This is the first of a series of hearings that the Senate Education Subcommittee is going to be having. We have about 10 of them, some in Washington, some around the country. I think from time to time it is better to get out of Washington and find out what is going on rather than staying there and having everybody come to us.

We have a very healthy witness list. We have five different panels today. I am going to hopefully be able to wrap this up in 2½ hours or thereabouts. So, I would ask our witnesses to summarize their statements in approximately 5 minutes. The full statement will obviously be made a part of the official record.

We have a recorder here that will make this as a permanent document for the Education Subcommittee that we can have for our discussion and deliberations. But, to allow some time for questions and give and take, please try to keep your remarks to 5 minutes. After you have gone beyond 5 minutes, an assistant will probably slip a piece of paper before you saying that time is expired. So, if you can summarize your thoughts, it would be greatly appreciated so we can, in fact, move forward.

[The prepared statement of Senator Quayle follows:]

Senator

Dan Quayle

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OPENING STATEMENT OF
U.S. SENATOR DAN QUAYLE (R-IN)
AT THE NOTRE DAME FIELD HEARING
OF THE SENATE LABOR AND HUMAN RESOURCES
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
September 9, 1985

It is a pleasure to call the Senate Subcommittee on Education, Arts and Humanities to order for this hearing on the reauthorization of the Higher Education Act. I am very pleased to be holding this hearing in Indiana, and especially at one of the most respected institutions of higher education in our country, the University of Notre Dame. Father Theodore Hesburgh, President of Notre Dame, is unable to be with us today, but he has been very gracious and generous in allowing the Subcommittee to use the facilities here, and I appreciate the warm welcome we have received.

The hearing being held today is one of approximately 10 hearings that the Senate Subcommittee on Education is holding on the subject of the reauthorization of the Higher Education Act, or HEA. The HEA provides more than \$7 billion to students and institutions of higher education across the country to help improve access to and the quality of education. This Act, although officially expiring on September 30, 1985, has an automatic extension through Fiscal Year 1987. The Senate is now beginning to review the programs under the Act and will prepare a bill to extend the programs which will be considered next year.

The testimony that I receive today will enable me and the other Members of the Education Subcommittee to understand better the needs of colleges and students across the country in the years ahead. From my standpoint, it is extremely helpful and important to know how Indiana schools and their students feel about the future direction of higher education in this country.

In addition to the hearing today, I have been fortunate to have worked very closely with the Indiana Conference of Higher Education (ICHE) as they have reviewed the HEA and made recommendations on the Act. The ICHE spent many hours on this project, and involved over 170 individuals in this work. The result is a fine document which has been very well received by my colleagues in Washington. I am certain that a number of our witnesses today will discuss some of the recommendations made by the ICHE, and I very much appreciate the amount of time and effort that went into this project.

The Higher Education Act funds a number of programs that have ensured access to higher education to millions of Americans over the years. Title IV of the Act, which authorizes the student financial aid programs, is clearly the most important, and largest of all the programs. The Pell Grant program is the foundation of student financial assistance in our country, and is aimed at the lower income student. Over two and a half million students received a Pell Grant during the last academic year. This year's funding for Pell Grants will ensure that the most needy students will receive a maximum grant of \$2,100.

The next most popular federal program is the Guaranteed Student Loan (GSL) program. This program, which leverages private capital through federal guarantees, has provided over \$42 billion since the program's inception, and last year, 3.67 million students got GSLs averaging \$2,300. The campus-based programs and the State Student Incentive Grant program, which encourages States to set up their own

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Page 2

grant programs, have provided millions of dollars more to needy students, and to middle income students who were ineligible for basic grants.

Today, with the rising cost of tuition at many schools, and the influx of older, non-traditional students into colleges, student financial assistance is at a premium and the demand for it has been steadily increasing over the years. Because demand is so high, and the federal, as well as state and institutional, resources are limited, we are being forced to look at ways to more efficiently administer the programs and basically to ration what aid is available. During this reauthorization process, one of the major issues we will be facing is to whom to give student financial assistance, and on what eligibility criteria.

For example, we will be discussing whether or not we should restrict eligibility for aid programs on the basis of income and set a cap on an upper limit. The Administration has suggested this a number of times, most recently in the Fiscal Year 1986 budget proposal, when they requested limited access to GSLs to students with family incomes of \$32,500. There is another proposal being discussed in connection with the Budget Reconciliation Bill that the Senate will be working on when we return in September that would cut off GSL eligibility to students with family incomes of \$60,000 or less. There has also been a great deal of discussion about refocusing the Supplemental Educational Opportunity Grant (SEOG) program on the needier students and requiring a more stringent needs analysis.

Another type of rationing system that certain Members of Congress are discussing is to award grants to freshmen and sophomore students and to give loans to juniors and seniors. The higher education community is also engaging in a dialogue about what to do about the increase in older, non-traditional students who are returning for job training or further career skills. The original intent of the HEA was to help the first-time student who tended to be between the ages of 18 and 22. As demographics have changed and as our economy evolves, a new category of older individuals are receiving aid under the HEA for returning to school. The question is, then, should we ration the available aid to only first-time students, and deny the same benefit to those who return for additional skills later in their lives?

Another decision relating to where benefits should be focused occurs when we look at the current subsidy structure of the GSL program. Students who are out of school, as well as students who are in school, receive a subsidy from the government. This subsidy is less after graduation, but it represents a large amount of the federal commitment to the program. Benefits should be given to students while they are in school, but after they have graduated and had two or three years to establish themselves, they should be responsible for the full repayment of the loan. This would free up additional resources to help more students get into school and to stay there.

Finally, there will be talk about rationing student aid on the basis of cost of education. The Reagan Administration, again this year, proposed limiting eligibility for the student aid programs to the cost of education at a college and would have set a cost of education budget of \$8,000 per year. This directly hurts the private colleges, and some of the more expensive state schools and Congress has not agreed to it. But as tuition continues to increase, and the cost of a higher education becomes out of reach for many lower and middle income families, the Congress, and certainly everyone involved with higher education, will be discussing ways to keep tuitions down.

One of the other major philosophical issues that will have to be decided by the Congress will be that of access versus choice, and how much of each student's choice of educational institution the government can afford to pay for. This will be one of our most difficult tasks.

Other issues and programs in the Higher Education Act are equally important. For example, loan consolidation which previously existed for overburdened borrowers should be reinstated. Loan defaults must be reduced and loan collections improved. I have introduced a bill,

(MORE)

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Page 1

the Student Loan Collection Improvements Amendments of 1985, to do this and have gotten a great deal of support on it. Parent loans and unsubsidized loans should be improved and encouraged.

Simplification of the student aid delivery system should be achieved, so that the students who are the most difficult to reach and who need the program the most will be aware of the availability of aid. Many times I have heard the story of a student with a low family income deciding not to pursue a higher education because he or she did not know about the student aid programs that could have helped to pay the cost of education.

We need to improve the administration of these programs so that the Congress, the Department of Education, and the servicers consistently meet the system's deadlines. Again, many students have been forced to change their educational plans or drop out for a semester because the aid payments are late in getting to them due to complex regulations and funding allocations. The student aid master calendar would help to ease the yearly delays, but streamlined and simpler programs would help us all.

Other titles, such as International Education, Cooperative Education, Institutional Aid and the very important TRIO programs, should be continued. Minorities and the disadvantaged must be continually brought into higher education. In particular, the small numbers of blacks and Hispanics in higher education and especially in graduate education is deeply disturbing to me.

The job of this Subcommittee is to fashion a Higher Education Act to carry this country into the 1990's. This will not be an easy job, but it is made easier by having dedicated educators, and administrators, like yourselves, to help out. We are also fortunate that our communities strongly support quality higher education and our higher education system is the finest in the world.

We will be hearing from a number of well respected Indiana educators today, as well as a few of our students. I look forward to all of your testimony and know that it will be of great help to me and the Senate Subcommittee on Education during our work on reauthorization.

Our first panel will consist of several distinguished college and university presidents, as well as the Commissioner of Higher Education for the State. I understand that you have been asked to limit your presentation to five minutes, after which we will have some time for questions and discussions.

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Senator QYAYLE. With that, we will start with our first witness, the president of Valparaiso University right down the road, Dr. Robert Schnabel.

Dr. Schnabel, welcome.

STATEMENTS OF DR. ROBERT V. SCHNABEL, PRESIDENT, VALPARAISO UNIVERSITY, VALPARAISO, IN; DR. STEVEN C. BEERING, PRESIDENT, PURDUE UNIVERSITY, WEST LAFAYETTE, IN; DR. JOHN W. RYAN, PRESIDENT, INDIANA UNIVERSITY, BLOOMINGTON, IN; AND DR. CLYDE R. INGLE, COMMISSIONER, INDIANA COMMISSION FOR HIGHER EDUCATION, INDIANAPOLIS, IN

Dr. SCHNABEL. Thank you very much, Senator Quayle. I appreciate this opportunity, as I know we all do, to meet you. And I would like to offer my congratulations from all of us for your astuteness in having called upon the Indiana Conference of Higher Education and joined us together.

I think one of the great things in Indiana is that our public and our independent institutions very much are supportive one of another. We are all interested in students and their welfare because that is of the essence of the well-being of our country.

Valparaiso is an institution which well represents the independent sector because it is church related but not owned, operated, or controlled by any church body. It is a school of 4,000 with 1,800 in arts and sciences, and the balance in the professional colleges. We cut across the independent sector representing a smaller university in some respects, very much like a liberal arts college, in other respects similar to a university. We are similar to one another in many respects, also in the public and independent sector because our families all come from about the same social and economic level. Thus, the most important thing in the reauthorization, although all the titles are important, is, in our judgment, the student aid programs.

One of the things that has really been a problem for us and increasingly so is the continuing escalation of our costs which is inescapable. We are not high priced. You hear about the high priced Eastern institutions. Most of the independent institutions in the country are very much in the middle range, about \$8,000 to \$9,000 total. That is room, board, tuition, and fees. The university is something in the range of 5,000, all those factors considered. Thus, in my written remarks here, I have particularly dwelled upon Valparaiso not as in and of itself, but as representative of all of our independent institutions.

The importance of student financial aid and Federal support of that is to provide access and choice, opportunity and options which is, we believe, in the interests of our country and of the individuals, and is of critical importance.

I have indicated to you that we are not looking for handouts. None of us are. We are looking for ways in which students can afford to come to both our public and our independent institutions.

Our Federal Pell and SEOG grants have provided that our school made up for \$167,000 in this last few years; 699 of our students are recipients of State aid which provided a total of \$699,000. And that is all significant.

And I would call attention particularly to the amounts that the university itself puts in of its own resources, and that really means resources that come from tuition and fees and from voluntary gifts of friends; some \$4,132,000 of our own sources is necessary so that students can afford to come.

Affordability is a critical factor, because of the fact that grant funds have not appreciably increased in real purchasing power, they have increased only modestly. We have found our families more and more depending upon loans, and this is why the Federal Loan Programs, both the NDSL and the GSL programs, have been increasingly important, and somewhat frighteningly so, because more and more of our students are becoming heavily indebted because of these loans. But they are necessary, and they are willing to take on that sacrifice and make that commitment in order to have the student and the option to attend institutions like ours.

You asked me to comment also on graduate programs. And there are distinguished members of this panel who I am sure will address that matter even more.

We have modern Master Degree Programs and one graduate professional program, our doctor of jurisprudence degree in student law. And the thing that bothers us the most, there is, again, the factor of finances and the incapability particularly of minorities of having access to our university.

Ten years ago, we had 20 percent of our entering law students who were minorities. This current year it is 5 percent. We are reaching out with all the funds we can get to help them. They are taking maximal guaranteed student loans in order to be able to afford us. And so again the very thing that assists is also a source of concern. We need to find ways in which these students and all others can be assisted.

Third, you suggested I might speak on teacher education and the Federal role that we see here. The Federal Government can assist mightily, particularly at this time, when we are looking for the continued improvement of elementary and secondary education to provide targeted kinds of aid to those who would be students so that we can get the highest qualified students.

We cannot have effectual reform without having the highest ability and the most committed type of individuals who teach. That may require special kinds of loans or grants. Even more important, a forgiveness program for those who enter into this important kind of public service.

Our Conference on Higher Education has provided you with its recommendations. And I think that we are all supportive of these recommendations with all points, on all titles, particularly with respect to student financial aid. We are definitely requesting that the Pell Grant Program be reauthorized and it be targeted on the neediest of students; that the Supplemental Educational Opportunity Grant Program be reauthorized and targeted on the neediest of students.

The college work study program is a very important one in the self-help components providing students with a chance to work as well as to learn. And it has some similarities with the Co-op Education Program. But those two programs should not be merged. They have different goals.

The Guaranteed Student Loan Program—and I will close my remarks with that—is of greatest importance to us. And I know there is great concern about the cost. And we share the commitment toward reducing the Federal deficit in doing all we can. And there are ways in the Guaranteed Student Loan Program that it be done.

For example, by limiting all loans to remaining need only, and to limit overborrowing by insisting that lenders pay in multiple disbursements and make the checks copayable to the individual and institution so there is no misuse there. But particularly it can be accomplished by reducing the origination fee, and either reducing or eliminating the allowance to lenders, both of which were instituted when that program began under a much different inflationary circumstance, and can be reduced at this time.

Higher education, as all of education, is a national asset because it is with human capital the most important thing our country has, more important than natural resources or anything else.

While we need to address ways of reducing, I hope that our country remains committed as it has been to giving our students and, therefore, the well-being of our country, the strongest possible support in the development of human capital.

Thank you.

[Information supplied for the record follows:]

PART I. HIGHER EDUCATION REAUTHORIZATION: PUBLIC POLICY,
LEGISLATIVE, FUNDING, AND ADMINISTRATIVE MATTERS

TITLE IV: STUDENT ASSISTANCE

- I. The wealth of the nation--socially, politically, economically, culturally--is in direct proportion to its investment in people, in human capital. There is need for renewed faith in and strong support for education and educational improvement on all levels if our nation is to advance population quality. The wealth of nations increasingly has come to be predominantly dependent upon the understanding, skills, experience, and physical and mental/emotional health of its citizens. Human capital is far more important than physical resources, such as energy, land, natural resources. Indeed, the key to individual and societal/national well-being is investment in human beings, human capital, through substantial financial and moral support of education at all levels. An all-inclusive concept of development of human capital is needed to explain the growth in productivity, the well-being over time, and the differences in the economic value of labor among countries of our interdependent world. The United States has a record of commitment to education and to the development of human beings for individual and social benefit. There is better reason now, than ever before, to continue the partnership of private citizens and institutions, local/community/state/federal government, business and industry, and public and independent educational agencies and institutions in providing and delivering an education that meets individual and social needs effectively, efficiently, and equitably. (Cf. Theodore W. Schultz, Investment in People: The Economics of Population Quality. Berkeley: University of California Press, 1981)

II. Student Assistance: Basic Concepts

The existing federal policy goal that every eligible student shall receive aid under the Pell grant, SEOG, and SSIG programs should be continued. These programs, in combination with reasonable parental and student contributions, should be sufficient to meet 75 per cent of a student's cost of attendance.

With respect to post-secondary educational opportunities and delivery systems, student financial assistance is of pivotal importance. The key element that has distinguished the achievement of our nation in higher education delivery has been, and should continue to be, economically provided access to higher education for all qualified persons--both traditional and non-traditional students--and effectual choice in attending the public or independent institution that best meets the individual's education needs and interests.

The financial assistance system should provide access and choice to qualified students, taking account of family and individual circumstances and financial need, through educational opportunity grants, work-study programs, and subsidized loans, as well as through family and student contributions (the self-help component) and other, non-governmental sources of scholarship, grant, loan, and employment assistance. Individuals and families should continue to bear the primary responsibility for supporting their investment in education to the extent they are financially able to do so.

There is need for both grant resources and low-interest loans to both undergraduate and graduate students, administered by private lenders, insured by state and non-profit private loan insurance programs, and expanded work-study, self-help programs.

III. General Guidelines

- A. In determining financial need and providing financial assistance, there should be continued use and improvement of the Uniform Methodology, annually monitored and updated by the professionals of the National Student Aid Coalition and the Education Department. This Uniform Methodology provides a single national standard and procedure for measuring a family's ability to pay and provides for consistent treatment within a framework of sensitivity to and discretion in responding to varied family and campus circumstances. Along with the Uniform Methodology there should be continued use of Multiple Data Entry forms to assure consistent and equitable administration of student assistance programs by the federal government and various agencies, institutions, and organizations involved in student aid processes. If any changes in the formula and allocation practices are made, there should be assurance that such changes will not result in sudden and precipitous dislocation of funds.
- B. Given the need for informed judgment and administration of student aid, the campus-based concept of student aid administration should be retained, which provides flexibility to campus student aid administrators who are in the best position to exercise judgment and to follow national guidelines and put together student assistance packages that assure balanced grant, loan, work, family contribution, institutional and self-help components and to meet varied circumstances of individuals and families.
- C. There is need for timely award of financial aid, with a national master calendar for student aid which is faithfully used. Delays, changes, and last-minute processes in determining eligibility and making awards clearly jeopardize the ability of millions of students and their families to obtain reliable information and make sound decisions about college choice and attendance. One of the most difficult problems has been the uncertainty created by constant changing of rules and regulations and by delays experienced in promulgating them. Although progress will always require updating, there is an equally important need for stability so that proper planning by all those involved—including families, aid administrators, and agency officials—can be achieved.
- D. To correct whatever abuses actually exist in student aid awarding processes—and they have been grossly exaggerated—processes can and should be strengthened for verification of eligibility through required submission of data needed to document educational costs and financial need. Headlines about loan defaults and program abuses have caused irreparable harm in loss of public confidence. Wherever such problems exist, they must be addressed and removed. However, they are not representative nor are they so extensive that they require the elimination of any program. Better ways to administer the programs as they are currently configured, rather than elimination or reconfiguration, must be found, not only because stability is needed but, more important, because the programs do work and they do provide substantial benefits. "If it ain't broken, don't fix it. If a part malfunctions, repair it, but don't throw away the whole."

- E. Significant abuse results from the current definition of the "independent/self-supporting student." But to require additional age criteria or documentation will create difficult administrative burdens and arbitrarily disallow some truly independent students. The way to overcome the tendency of some families to artificially orchestrate maximum federal aid eligibility by declaring their sons and daughters "independent/self-supporting" can be overcome by incorporating stricter provisions--as states like California, New York, Pennsylvania, and Indiana have done--e.g., by setting a criteria of 22 years of age and the requirement that a student give evidence he or she was in fact self-supporting for at least the previous year. Thus all Title IV aid applicants below age 22 (except for orphans and wards of the court) should be classified as dependent on their parents; at age 22, a different test should be applied which would include reasonable tests related to the previous year's self-sufficiency, current-year marital status, veteran's status, graduate status, and whether the student has dependents.
- F. Savings can be effected by bringing programs in line with their goals and the legislative intent of the programs. If some problems can be corrected by additional and more comprehensive efforts, such as by more complete verification procedures, then these efforts must be undertaken. If considerable saving can be achieved by requiring a needs analysis for all applications to the Guaranteed Student Loan (GSL) program and by modestly reducing the special allowance paid to lenders, these measures should be implemented. However, loan limits have not been adjusted for over a decade, while education costs have risen substantially; hence annual and aggregate GSL limits should be increased to provide students with the means of helping themselves. At the same time, any quick and simplistic approach suggested by the use of absolute income ceilings, block grants, centralized program administration, and other such concepts must be avoided. The need to be efficient and consistent must be weighed carefully against the need to be fair and sensitive to individual circumstances and needs. Common sense and balance must be employed in all of the steps taken to effect savings.

IV. Student Aid Programs

A. Pell Grants

1. There is need to provide levels of assured Pell grant funding so that qualified, deserving, financially needy students receive the full amount for which they are eligible and at the same time assure adequate appropriate levels of campus-based (SEOG, CWS, GSL, NDSL) programs to ensure proper levels of equity and stability in the allocation of Title IV funds. The complication created by the statute that ties Pell grant maximum awards each fiscal year to funding for the SEOG, CWS, and NDSL programs are substantial. The half-cost compromise and threshold concept written in the 1980 amendment should be retained.

If present Pell grant funding levels (adjusted for inflation) and guidelines cannot be increased, the current half-costing, threshold, and Pell grant awarding principles and procedures should be retained. If the federal government is prepared and able to expand substantially this kind of investment in human capital and in the nation's well-being, the NAICU proposal of a formula that would target the Pell grant program on low-income students and insert price sensitivity into the basic structure merits legislative and funding support. This proposal bases Pell grant eligibility on a two-part formula: (1) half of tuition, mandatory fee, and book expenses (the "hard" educational costs) for all eligible low-income and middle-income students, up to a maximum of \$2,100, plus (2) a substantial allowance, up to a maximum of \$2,100, to cover living expenses for all low-income students. This mechanism would award substantial grant dollars to low-income students ("the neediest of the needy") for their

living expenses, plus half of their tuition expenses. Educational fees and coats plus living expenses constitute the total "cost of attendance." This would assure their access to all types of higher education opportunities, but would limit the participation of middle-income students to just half of the "price" charged to them. This proposal assumes the same taxation rates on discretionary income for dependent and independent students in order to provide substantial grants to low-income students and a \$200 minimum award to a student from a typical family of four with one in college and an adjusted family income of \$30,000.

B. Campus-based Programs

1. Supplemental Educational Opportunity Grant Program (SEOG)

- a. To achieve its purposes, SEOG should be reauthorized, with a funding authorization of no less than 15 percent of the appropriation for Pell grants.
- b. The SEOG program was originally intended to assist students who but for this grant would be unable to enroll. Several amendments to the original legislation have diffused this purpose. Every federal program should have a specific purpose and target. Guidelines for the SEOG programs should be so redefined to target assisting students with the greatest need for funds, that is, those with exceptional need (defined as those students whose expected family contribution is less than one-half of their total cost-of-education).
- c. Provisions of the institutional "hold harmless" level should be maintained at the amount used in academic year 1985-86 (FY 85 appropriation). All new funds allocated at a level above the FY1985 level should be made only to those institutions whose "fair share" exceeds their institutional "conditional guarantee." Matching institutional requirements should be re-instituted in the program, with matching funds to come from non-federal sources. Institutionally-provided need-based student grants and awards should be dropped from the formula used to determine institutional need for SEOG.

2. National Direct Student Loan (NDSL) Program.

- a. NDSL has traditionally been used as a resource for certain disadvantaged applicants whose access to other student loans could be limited. Although the Guaranteed Student Loan program makes assistance available in virtually every state, the lower NDSL interest rate may still be used as a sound reason for its continuance in assisting disadvantaged students. Some students, in fact, need to borrow from both the NDSL and the GSL program in order to meet need.
- b. The NDSL program should be reauthorized under its current provisions and renamed the Perkins Loan Program to recognize its principal advocate, Carl D. Perkins, the late chairman of the House Education and Labor Committee (in the same way that the Basic Educational Opportunity Grant program, BEOG) was renamed the Pell grant program).

3. College Work-Study (CWS) (Title IV) and Cooperative Education Programs (Title VIII)

- a. Both of these programs have a similar overall goal--to provide job experience for students--but their specific primary purposes are different. (1) The CWS program is intended primarily to provide needy students with assistance

in meeting their school-related expenses, and offers as a secondary benefit valuable work experience which is sometimes career-related for the student. (2) The Cooperative Education program, which is not need based is primarily intended to provide on-the-job experience relating through alternate and parallel work-experience and classroom experience to their campus educational experiences and career goals. These programs should not be merged, lest CWS aid funds be diverted from needy students or the value of cooperative education for all students who elect such an experience be lost.

- b. Separate program funding of CWS and Cooperative Education should be maintained. CWS should be reauthorized without changing the language that limits it to non-profit institutions, without changing the existing reallocation procedure, and without consolidating the program with Cooperative Education. Allocation of new CWS funding above the FY 1985 level should be initiated as with SEOG (see above).
- c. Cooperative Education (Title VIII) should be reauthorized and funded to provide smaller administrative grants so that cooperative education programs may be strengthened and broadened, also by enabling smaller institutions to establish cooperative education consortia and to develop appropriating curricula and alternating study and work experience arrangements. Provision needs to be made for proper definition, accountability and control of approvable and funded programs by standardization of student and employer reporting forms, use of learning objectives, and inclusion of faculty in student-monitoring and accreditation requirements. Institutions performing at high standards in developing new programs should have uninterrupted funding available, but not beyond the normal five-year grant period. Evaluation of cooperative education initial proposals and continuing programs should be fully objective, conducted by a panel of objective referees broadly representative of the entire higher education community.

C. Guaranteed Student Loan (GSL) Program.

Most college students and their families cannot meet their needs for financing higher education through their own contribution (the self-help component), grants, and work-study. Loan programs are needed, but they should be limited to "remaining need" to avert unnecessary borrowing, indebtedness, and excessive cost-of-interest subsidies and special allowances of the government. The GSL program is essential and should be reauthorized, with the following qualifications.

1. Financial needs tests should be required of all applicants. This would not add much administrative burden and would provide the same measure of fair treatment to all.
2. GSL borrowing should be limited for all income levels to the amount of demonstrated financial need, using the methods currently in place, after all federal grant, work, and other loan benefits, together with all expected parental/student contributions are taken into account.
3. To avoid over-borrowing for purposes other than meeting direct education expenses, lenders should be required to pay GSIs in multiple disbursements and loan checks should be made co-payable to the student borrower and the institution. The inclusion of these provisions would not create any excessive administrative burden and would serve to provide institutions with needed information regarding student borrowing and ensure reasonable safeguards for proper use of the GSL program.

4. The GSL origination fee was initially adopted as an interim measure to reduce federal costs during periods of high interest rates and inflation. With interest rates and inflation now at lower levels, the origination fee should be reduced. This would increase the effectiveness of funds borrowed by students and their families.
5. Because removal of the federal interest subsidies supporting the GSL program would result in reduced lender participation in the program and would increase the cost of borrowing to students (and possibly result in perpetuating unwelcome loan defaults), either the current manner of providing GSL interest subsidies should be continued or a federally guaranteed "loan of last resort" measure should be provided.
6. The current special allowance paid to lenders to induce their participation in the GSL program could and should be reduced in some reasonable measure. This would result in a very significant savings to the federal government without causing massive lender withdrawal.
7. GSL loan level limits have remained fixed in recent years, but college costs have increased--in part in proportion of today's lower inflation levels, in part because institutions of higher education failed to increase their fees at an earlier time commensurate with then-levels of high inflation and have been forced to increase fees to catch up with the cumulative effects of prior inflation. Modest increases in annual and aggregate borrowing would assist needy students in meeting the higher costs of college. Research by the National Council of Higher Education Loan Programs (NCHELP) does not support the notion that heavier borrowing would increase defaults, but it would broaden student higher education access and choice. Current CSL annual and aggregate loan limits should be increased and then periodically reviewed and adjusted to accommodate college costs. It is urged that annual loan limits for those undergraduates who have completed their first two years of study toward a bachelor's degree be raised to \$3,000 a year and for graduate students to \$8000 a year. Aggregate limits for undergraduates should be increased to \$20,000 with an additional aggregate limit of \$25,000 applicable to graduate students.

D. PLUS Program

The PLUS program is able to provide needed borrowing opportunities for families who do not meet the current GSL needs-test provision, with up to \$3,000 limit annually for each student. The PLUS program should be strengthened to provide additional borrowing opportunity for families not eligible for adequate support through other programs. The program could be made more attractive to lenders by increasing loan limits, authorizing both secondary-markets and loan-consolidation capabilities, and prohibiting parents and students from using bankruptcy to set aside their loan obligations.

E. State Student Incentive Grant (SSIG) Program

SSIGs have served as the initiative and foundation for the involvement of many states in scholarship and grant programs. Every state now has an enhanced program because of SSIG and in some cases it remains a significant component of the state's student assistance program.

1. The SSIG program should be reauthorized.
2. States should be allowed to use up to 50 percent of new allocations, above the FY 1985 level, to establish or sustain a 50/50 federal-state matching work-study program.

F. Merit Scholarships and Categorical Incentives

In addition to continuing its role in providing support for need-based financial aid, the federal government should also continue to provide incentives for private merit scholarship programs through continuance of its current charitable-tax-deductions structures to support private foundations, corporations, and individuals who contribute to merit-based scholarship programs.

TITLE V: TEACHER TRAINING PROGRAMS

Since the pre-service and continuing professional education of teachers is a cooperative effort they must recognize the needs and role of students, parents, teachers, principals, colleges and universities, school districts, and state and federal governments in meeting these needs, and since the original Title V cannot readily be modified to meet the new and emerging situation, it is recommended that a new Title V be developed. This new Title V should focus on both pre-service and continuing professional development of teachers, with an emphasis on school, college, and university partnerships for program design and implementation.

The recommendations are found in the document, "Recommendations for Reauthorization" of the Higher Education Act of 1965 (as amended through Public Law 97-301), prepared and submitted by the Indiana Conference of Higher Education (April 24, 1985).

TITLE IX: GRADUATE PROGRAMS

The ability of our nation itself to maintain pace in its growth and development, as well as its place of leadership in the community of nations, depends in very great measure on its advancement in scientific, technological, and cultural areas. Title IX is the only point at which graduate education is addressed.

Increased support for graduate education under Title IX is in the national interest. As social complexities have grown, requirements for graduate education for employment or advancement likewise have increased, with more students now finding it necessary to pursue graduate and professional study. But our centers of graduate and professional education, which also are our academic research and development centers, face two critical problems:

- (1) There is a shortage of competent, fully prepared teachers in many sciences, business fields, computer science, and engineering. During the balance of this decade, a similar shortage of fully-qualified, doctorally-prepared teachers in the humanities, arts, and social sciences will occur.
- (2) There is a critical underrepresentation of women, minorities, and non-traditional students in our programs of advanced education and research.

Title IX, the purpose of which is to improve graduate and professional education, including the provision of graduate fellowships and the support of certain facets of legal education, should be reauthorized.

Part A Institutional Grants (to maintain, strengthen, and improve the quality of graduate and professional programs and programs that prepare graduate and professional students for public service).

This part of Title IX should be continued and funded, with special attention to innovations in graduate education, particularly through incorporation of computer and telecommunications technologies in programs where these are essential.

Part B Financial-need Fellowships (for graduate and professional students with demonstrated need.)
and

Part C The Javits Fellowship Program should be funded and implemented through the establishment of the National Graduate Program Fellowship Board, with emphasis on excellence and eligibility to include all disciplines (especially teacher education) except those supported by the NSF Graduate Fellowship program and bio-medical fields. Fellowships should be awarded to students directly, so they remain free to choose their institution of study.

Special attention should be given to provide fellowship funding for these programs, for our radically underrepresented minorities and women. The present minimum funding level of \$75,000 for institutional grants, supporting approximately 20 students per institution, should be changed, since it eliminates smaller institutions from funding eligibility. Many minority students and women are more likely to attend graduate schools closer to home, and these often are smaller institutions. The minimum annual stipend per student should be increased to \$6,000 for the student allocation and \$5,200 for the institutional allocation. (Allocation minimums have not been increased since 1980.)

PARTS D & E CLEO and Law School Clinical Experience. Both of these programs should receive continued funding. It is the experience of law schools in Indiana that these programs are providing legal-training experiences involving the disadvantaged, as intended in the enabling legislation.

Other Matters:

- (1) Continued support is recommended, under the GSL, CWS, and HDSE programs of Title IV, for graduate and professional education, with increased annual and aggregate borrowing limits in the GSL program for graduate and professional students (noted above in the materials dealing with Title IV). These programs are of critical importance and should be strengthened.
- (2) Since many graduate students have veteran's status, the Veterans Cost of Instruction program under Title IV should be continued.
- (3) While it would be highly desirable to extend eligibility for Pell and SEOG awards to graduate and professional students, especially in light of substantial increases in the cost of graduate and professional education and the benefit of having additional grant funds for such students, this move is not recommended because the current appropriations for Pell and SEOG are insufficient for current undergraduate needs. The insertion of a new category of graduate and professional students into the Pell and SEOG programs, many of whom would apply as independent students, would create a severe impact on the already insufficient support for undergraduates being provided through these programs. Instead, the current provisions restricting Pell and SEOG program awards to undergraduates should be retained, with provision for graduate and professional students through Parts B, C, and D of Title IX and through expanded GSL annual and aggregate borrowing limits for graduate and professional students.

Robert V. Schnabel
President
Valparaiso University
September 9, 1985

PART II: HIGHER EDUCATION REAUTHORIZATION--VALPARAISO PERSPECTIVE

I. Student Financial Assistance

The purpose of this presentation (Part II) is to furnish information concerning the critical role federal government student financial assistance plays in providing to students who judge that Valparaiso is the institution that best meets their educational and life-goal needs and interest and offering means for them to have both access to and choice of this University.

1. The single most important financial factor, complementary to family resources and self-help contribution, which affects the decision of students to enroll in and remain at Valparaiso University is the availability of financial assistance (grants, loans, work-study and campus employment) from the University itself, from other private sources, and from state and federal government sources.
2. Valparaiso and students attending this University are not looking for a "hand-out" from governmental agencies. Valparaiso is stretching its own resources to capacity and beyond to make it possible for students to pursue their higher education at the University. Valparaiso University students have a high rate of program completion. Each year the University sends graduates into a variety of professional fields--engineering, nursing, business, journalism, computer science, elementary and secondary school teaching, social work, and many other fields--as well as preparing them for graduate/professional education and, in the case of the University's law school, for entry into the legal profession. These students are not only exceptionally well prepared academically, but their education at Valparaiso has included value-based educational experiences, studies in personal and professional ethics, and development of such important personal characteristics as concern for others, reverence for God, a sense of responsibility, and awareness of the need for self-direction and life-long learning that historically have been the foundation of our country.
3. Seventy (70) percent of students attending Valparaiso University are eligible for and receive financial assistance, based on needs analyses and needs-tests. The vast majority of Valparaiso students come from lower-and middle-income families rather than from upper-middle and upper income families.
4. The following facts for the most recent year available reflects how Valparaiso University typifies the partnership between students, parents, university, state and national government in meeting student financial need. The overwhelmingly largest amount of grant and scholarship assistance received by Valparaiso's undergraduate students comes from the University itself: i.e., 69% of all scholarship and grant aid at Valparaiso is provided by the University itself, with 31% coming from state and federal government student aid programs combined.

GRANTS & SCHOLARSHIPS

	<u>Federal Programs</u>	<u>State Programs</u>	<u>University Funds</u>
Number of Recipients	1206	699	2275
Amount Awarded	\$1,167,172	\$699,305	\$4,132,831

In the area of work-study and campus employment resources, there is again a partnership between the federal government College Work-Study program and the University's own Campus Employment program.

WORK-STUDY & CAMPUS EMPLOYMENT

	<u>Federal CWS</u>	<u>University Campus Employment Program</u>
Number of Participants	637	444
Amount Allocated/Earned	\$462,805	\$309,318

The federal government, through its NDSL and GSL programs, is virtually the sole source of loans. Fully 85% of Valparaiso undergraduate students, because of financial need, must and do participate in these federal government loan programs: i.e., 2769 of the University's 3240 undergraduate students negotiate such loans.

LOAN PROGRAMS

Federal (NDSL & GSL)

Number of Borrowers	2769
Amount Borrowed	\$4,935,074

The federal government's two loan programs are even more strikingly important to students who attend Valparaiso's School of Law because there are no federal and state grant and scholarship programs available to them. In Valparaiso's School of Law, with an enrollment in 1984-85 of 367 students, 319 law students collectively took out \$1,888,497 in such loans, with the average annual indebtedness at just over \$5,000. The University, in addition, was the sole donor of grant aid to 319 of its law students in the amount collectively of \$368,585, for an average award by this University grant of \$1,155.

II. Graduate Programs

Valparaiso University offers graduate programs to the master's degree level only, except at its School of Law, which offers the J.D. program. Comments contained in Part I of this report are applicable chiefly to the University's law school programs: Clinical Legal Education, Law School Clinical Experience, and financial assistance for law students.

Valparaiso University's School of Law sees particular need for financial assistance for minority students. The University's School of Law has a history of substantial recruitment and assistance to minority group law students. Twenty-one (21) of the 113 members of the 1975 Law I entering class were representatives of minorities: this was almost 20% of the entering class. However, in 1984, only 4 of the 129 Law I students were representatives of minority groups, and this year (Fall 1985) only 6 of 114 Law I students are representatives of minority groups. Highly gifted minority students are able to receive very substantial grants and scholarships from well-endowed and prestigious private university law schools and from more amply funded public university law schools. Able students who are just below the very highest ability level but who have limited financial resources are not able to afford the cost of a Valparaiso School of Law legal education except by means of very substantial loan assistance. The result is that minority communities are seriously under-represented at law schools across the country, including that of

Valparaiso University. A program to help minority students who wish to pursue a legal education at institutions like Valparaiso's law school would result in very great individual and social benefit, with many of such students returning to the communities from which they came.

III. The Preparation of Elementary and Secondary School Teachers -- Appropriate Role of Government

Elementary and secondary schooling in America has traditionally and constitutionally been the primary concern of the states and city and local governments. The federal government's role in public education has been to provide financial resources to assist schools: e.g., school lunch program, vocational education, science education, special education.

The recent concern about education quality has been focused increasingly on the quality of teaching and the pre-service and in-service professional preparation of teachers. Since this has become a nation-wide concern, it is appropriate that the federal government assist the states and local communities as they attempt to deal with these matters.

There are three appropriate roles for the federal government:

1. To provide funding resources so that academically strong students may be attracted to teaching careers.
2. To encourage teachers to remain in teaching, in spite of the lesser financial rewards they receive for doing so.
3. To provide resources and incentives for the recruitment and preparation of teachers in fields where there is a clear national interest, such as mathematics and science, and do so before the nation finds itself in an emergency situation similar to that which was faced in the late 1950s with post-Sputnik initiatives.

The first role could be fulfilled by establishing federally supported scholarships and grants for the academically able who agree to pursue a program of teacher education. The second role could be fulfilled by a loan program with forgiveness components, such as was the case in the 1950s and 1960s. These two provisions should put into place a program of substantial assistance in raising both the quality and the number of teachers. However, it is important that federal programs of both kinds be long-term programs if they are to be of lasting benefit.

The third role would be to provide special incentives for pre-service and in-service preparation of teachers in fields of special national need, such as mathematics and the sciences. If the intention is to influence the career choices of young people, concrete incentives are required. The ready availability of grants and loans has a direct bearing on the educational choices made by young people and their parents. One example of such an incentive is the program of loan forgiveness, on a scaled basis related to years of service. A program to support college and university faculty members who wish to cross-train in critical disciplines, such as computer science, science, mathematics education, and educational technology, is also of high importance.

The federal role, then, would be in directly assisting and encouraging those who would be teachers; the state role would be in working toward the improvement of professional staffing, curriculum, facilities, and equipment in the collegiate teacher education programs. With respect to the last point--facilities and equipment--there is much justified concern with the widespread erosion of such facilities and equipment within college and university departments responsible for the undergraduate teaching of scientific and technical subjects. A large proportion of our future teachers (and other undergraduates) is being taught by excellent instructors who must work with outmoded facilities and equipment. The modernization of what nowadays we call the "material infrastructure" of our scientific and technical departments will require a major national effort in which the federal government must play a leading role. In this regard, it needs to be borne in mind that the facilities and equipment required to be effective cost the same amount of money whether they are placed in publicly-supported or privately-supported colleges and universities, and whether in small or large institutions. When these facilities and equipment are equitably provided in smaller and middle-size colleges and universities, a far larger proportion of their use is dedicated to the instruction of undergraduate students, including future teachers.

Attached is a copy of a news article that appeared in the August 26, 1985, issue of The Christian Science Monitor, a well-respected newspaper, on the subject: "Teacher Shortage Erodes U.S. Hope for Education Reform," by Victoria Irwin, Monitor staff writer.

Robert V. Schnabel
President
Valparaiso University
September 9, 1985

Teacher shortage erodes US hope for education reform

By Thomas H. Dyer
Los Angeles Times Staff Writer

Just when educational reformers are being lulled into the belief that the worst of the nation's teacher shortages is behind them, a new crisis has begun to take shape in the nation's school systems.

The shortages are concentrated in big cities. With few exceptions, urban schools, and even classroom conditions, and secondary schools, are in critical condition.

But the problem stems from broader factors — and they are not the shortages of the 1980s that will also affect schools in suburban and rural areas, many educators say. At the heart of the crisis is a crisis in the nation's teacher education system — a crisis in the nation's teacher education system.

At the very least, we are talking about the quality of the nation's teacher education system. The quality of the nation's teacher education system is the quality of the nation's education system. The quality of the nation's education system is the quality of the nation's future.

They have the same qualifications, but 1000 teachers are not needed in schools for the first time this fall.

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TEACHERS

Recent numbers of teachers. It's a great dilemma.

Why a shortage now? The teacher population is aging retirement. A "baby boom" is occurring in the education field. More immigrants — especially from Asia, Central America, South America, and Southeast Asia — are attending US schools. And a smaller percentage of students entering college plan to go into teaching.

Some of the education reformers have contributed to the shortage. Teacher choice plans cause more teachers. At the same time, stricter screening of future teachers has been instituted in many schools, shrinking the pool even more. The shortfall has been building in recent years, and is projected this year to be between 12,000 and 13,000 nationwide, says Tom Supler of the National Center for Educational Statistics. By 1990, the center estimates that gap will rise to about 40,000, and by 1992 the shortfall could be 70,000. Mr. Supler says these figures are optimistic.

Enrollment in primary schools will continue to go up, as there is a dwindling number of high school students just into the pool of future teachers, Mr. Supler says. By 1990, he says, shortages are likely to be widespread.

Earlier this autumn, New York City announced it would need to find 4,200 teachers by fall. In Los Angeles, the third district began to advertise to fill some 3,000 vacancies as summer vacation ended.

Many educators report a serious lack of minority teachers coming into the pipeline. This is in part because college enrollment of blacks has dropped in recent years, and in part because many gifted minority students have more opportunities available today at much better pay.

To cope with current and projected shortages, school districts throughout the country are trying alternative methods to attract more teachers.

Some are short-term solutions, such as contracting retired teachers and hiring more foreign educators.

Other programs are more far-reaching. One such alternative is intensive training for college graduates who have an education credit. The New Jersey State Department of Education found that a number of talented people were routinely turned away because they did not have teaching credentials, says Lee Klingbein, director of teacher preparation and certification for the state.

Now, a candidate with a bachelor's degree in the subject he or she would like to teach is eligible for certification after passing tests and taking part in a training program during the first year of teaching. There are similar programs in Houston, Los Angeles, and New York City.

Some critics are concerned that such programs will turn out unqualified teachers. In Los Angeles, some teachers can receive an emergency credential with only a three-day orientation, says Catherine Conroy, director of communications for United Teachers of Los Angeles.

But most educators say such programs are necessary.

New Jersey also has a program where 100 college students per year can receive up to \$30,000 to prepare to become a teacher. The loan will be forgiven after four years if the student teaches in an urban New Jersey school, and after six years if he or she teaches in a suburban school. Connecticut has passed a similar talented teachers act, but it has not been funded.

Proposals to make teaching more attractive must include higher pay, Mr. Timpane says. The average salary of a teacher in the US is about \$23,000, according to the National Education Association. Many starting salaries are less than \$10,000. "There just aren't that many" districts out there, Timpane says.

Some educators are particularly worried about the fate of proposed educational reform.

"Overhead, you can't have students more outstanding than the quality of teachers," says Ernest L. Beyer, president of the Carnegie Foundation for the Advancement of Teaching. "No reform can stand unless anchored in quality teaching."

When America's first elementary schoolteacher launched into space next spring, Mr. Beyer would like to see President Reagan do something "to help teachers have an Earth." He proposes a 10-year drive to bring the best and brightest college students into teaching.

"That would mean much more for the future of the country," Beyer says.

Senator QUAYLE. Thank you very much, Dr. Schnabel.

Now, we will go to my wife's favorite school and Dr. Steve Beer-
ing from Purdue University.

Dr. Beer-
ing, welcome.

Dr. BEERING. Thank you very much. Your wife shows excellent
judgment, not only in choice of schools, but also choice of husbands.

Senator QUAYLE. Well, good. I will tell her that. Thank you.

Dr. BEERING. Senator Quayle, I am privileged to be here this
morning in the company of my distinguished colleagues. And I will
highlight a few of the items which have occupied our deliberations
for over a year now.

We are grateful to you for giving us a chance to study this entire
issue in detail, and it has been indeed a tremendous experience,
unifying all 39 of the institutions of higher education, public and
private, large and small. We have rediscovered that the real pur-
pose of our institutions is to help young students to become produc-
tive citizens for the future of America.

So, in that spirit, I would like to underscore and punctuate cer-
tain highlights of our report. The written testimony of our institu-
tions is enclosed in this blue and gold cover. And as President
Schnabel has already said, we are all unanimously in support of
this study and its recommendations.

Let me highlight first title IV, which we believe was perhaps the
single most important of the titles, and that deals with student fi-
nancial aid.

There are now 12,300,000 college students in this country. We
have about 280,000 of them in this State attending our 39 institu-
tions of higher education. And the reality which is inescapable is
that two-thirds to three-quarters of them require some form of fi-
nancial assistance to continue their studies.

Title IV has made possible a great deal of that. I would commend
to your attention, when you get into the details of drafting the re-
authorization, such ideas as having a master calendar so that stu-
dents and colleges alike will have a timely notion of what financial
aid is available; highlight the opportunities for college work study
and Co-op programs, and, as you already alluded to in your opening
remarks, the reality that education, higher education, is now a life-
time endeavor.

More and more of our students are the so-called unconventional
adult learner. At Purdue, with over 56,000 students in five campus
locations, about 20,000 are 10 years older than the usual college
students. They are, by and large, already in the work force. They
may be single parents. They are people who are upgrading, upskill-
ing, going back to work, adding a new discipline or refreshing their
existing bag of knowledge and skills.

At the moment, many of these students are ineligible for finan-
cial aid. Because of the rules and regulations we work under, less
of them proportionately are recipients of student financial aid than
the usual college age population.

I would point out, by way of underscoring title VII, which deals
with facilities and equipment, we have undertaken studies here in
Indiana which indicate that many of our academic facilities are
two decades old. Of course, the equipment that is in them is equal-
ly ancient. If we are going to remain of the cutting edge in educat-

ing our young people, our unconventional students in the modern ways, we must renovate and repair and rehabilitate facilities and the equipment.

I would point to the wisdom of our higher education commission in our State in having approved a formula for repair and rehabilitation this past session of the general assembly. This is going to go a long way to help the State-related institutions in meeting some of those needs. It would be wonderful if a similar recognition could take place at the Federal level.

Finally, title IX, which deals with graduate education and research, is one that is of great importance to us, not only in Indiana, but really nationally and internationally. If this Nation is going to regain its competitive edge in economic development, we are going to have to do better than having only 16 percent college graduates in our population and only 2 percent of the population with advanced degrees. It is clear that one of the best investments in our future would be the support of graduate fellowships, assistantships. And the opportunity to conduct research which will enable us to be a productive Nation in economics internationally.

We currently in this State have most of graduate education concentrated in the large institutions. I am unhappy that Purdue has one of the smallest graduate education programs in the Big Ten. We have only 6,300 students pursuing master's and Ph.D. degrees, and that is at the same time that we stand second only to MIT in terms of sponsored support and contractual research.

We have an opportunity here to educate a great many more young people in the various specialties and subspecialties important to this country.

Thank you very much for allowing me a chance to be with you.

Senator QUAYLE. Thank you very much.

And now we will turn to the president of Indiana University where they were responsible for my law school education and my wife's, I might add, at Indianapolis.

Dr. BEERING. I knew I would lose on that.

Senator QUAYLE. Her heart is still at Purdue I will have to confess.

Dr. Ryan.

Dr. RYAN. My name is John Ryan, and I am president of Indiana University. And on behalf of the university I want to thank you for this opportunity to declare my support and the university's support for the recommendations from the Indiana Conference on Higher Education.

This rather bold statement stems from our conviction that Federal assistance to the colleges and universities of the country and this State's Federal assistance is indispensable if we are going to provide the education and research that our society needs. And we say that on the basis of the history of the Higher Education Act which has served us very well.

And while we have many needs not presently provided by that act, and modifications to suggest as a result of the process of reauthorization, if nothing more, were achieved than to reauthorize the continuation of that act as it now presently assists us, that would be indeed a substantial support for higher education and independent public colleges in this country.

So I do not want to leave you or the committee or the Congress with the thought that the progress will not be possible unless we make changes in the act. And now having said that, I would like to propose some changes that we would like you to consider.

There will be a panel, I think, later that will deal with details of Federal programs of student assistance. We do wish to emphasize the importance of the student assistance titles of the Higher Education Act.

Indiana University supports the recommendations contained in the document prepared through the cooperative work of the public and independent colleges and universities in Indiana, and I want to thank you for your complimentary remarks about the effort by all of the campuses, the faculties and the presidents of those institutions in coming to a consensus position and a unanimity in support of the reauthorization and of the importance of reauthorization and the priorities we seek, we share in terms of the proposals for the act.

Even though you will have a panel that will concentrate on student assistance, I still would like to make a few observations with regard to student assistance. Our needs for sustained and even increased Federal aid in assistance to students is as great as it has ever been.

College costs—this will come as no surprise to you—will continue to increase at a level greater than inflation. Part of the reason is we are still trying to recover from the years when our funding did not keep pace with our inflation experience, and thus with our costs.

Indiana University last year, 1984-85, the Federal Government provided a quarter of our financial aid funds. And if you add the Government Guaranteed Loan Program to that total, Federal sources account for 74 percent of the funds available for financial aid to students at Indiana University. Nearly three-quarters of the aid received by Indiana University in one way or another can be traced to the Federal sources.

In your request with regard to today's testimony, you asked that I comment on ways to find savings in programs. I would like to emphasize a few points made in the conference document, points that might lead to a better use of Federal funds.

The Congress has suggested in its budget resolution that expenditures in the GSL, Guaranteed Student Loan Program, be reduced. We believe that if savings are to be accomplished, they can be accomplished in this program, for example, by requiring a needs test for all loan applicants regardless of the family income. In addition, it might be possible to achieve some savings by establishing the market adjustment allowance and the other administrative costs reimbursements at a level that will still allow an adequate return to the lenders but at a more realistic level, and I think this point had been made by one of my colleagues earlier.

We cannot forget the private capital availability. It is very important in financing higher education. So we must assure a reasonable return to lenders whom our students and their families count upon in order to retain the participation of those lenders.

At Indiana University, 57 percent—57 percent—of the financial aid administered by our offices of scholarship and financial aids is

in the form of borrowing. We obviously are in no position to recommend to you anything that would diminish participation of private capital in this way. By the same token, we believe we should be cautious that we not overburden graduates with a debt which is either too great or repayment conditions that are discouraging to timely and full retirement of that debt.

A proper balance we think—I know my colleague join me in this—a proper balance must be achieved between grants and loans and the employment earnings of meeting student needs. There is a growing consensus. We think that the definition of the independent student needs to be redefined. We must not leave out the traditional family role and the provision of financial support for education.

Senator, I should like to conclude my comments this morning because I have a statement that has been filed with you for the use of the members of the subcommittee. I would like to conclude my remarks with an emphasis of requesting your attention to three other titles in the Higher Education Act as the matter of reauthorization is considered.

I should like to endorse the statement of my colleague, the president of Purdue University, relative to title 7. Title 7 deals with construction facilities, provisional facilities, costs. It is a title that has been in the act since the beginning of the act, but has suffered from a long, long drought of any funding. And I think, as you heard from him, the signs are on every campus in the country, especially when it comes to research facilities, that our universities are falling behind in their adequacy of facilities.

Second, with respect to title 7, we urge your attention to support funding for equipment and instrumentation so that the very best of our students who are preparing to be at the forefront of our science investigation prepare themselves with state of the art equipment. Not to do so in effect lengthens their preparation time because they must continue after their formal degree time to prepare themselves.

The second title I would just simply make reference to is title 6, the title under which the Federal Government has provided funds for the support of national centers and area studies and for the teaching of foreign language. I believe a healthy sign in our educational circles in this country is a renewed emphasis on preparing the best of our population to be conversant with other cultures and their languages. Support from the level of some \$30 million a year to perhaps double that in support of the 90 centers and the various elementary, secondary and outreach, and university programs, would be in order.

And, finally, just an observation regarding title 9. I believe that in the Congress and within the university and college community you will find there are some innovative and exciting new ideas relative to the provision of support for graduate students and their studies, as well as support for the institutions upon which they are dependent. And I commend you in careful study of those.

Thank you.

[The prepared statement of Dr. Ryan follows:]

President John W. Ryan
 Indiana University
 United States Senate Sub-Committee Hearing:
 "Reauthorization, Higher Education Act"
 South Bend, Indiana
 September 9, 1985

(The following remarks were prepared for delivery by President Ryan during a hearing conducted by the Sub-Committee on Education, Arts, and Humanities of the Senate Labor and Human Resources Committee, Senator Dan Quayle presiding at the University of Notre Dame, South Bend, Indiana, on Monday, September 9, 1985.)

Greetings and acknowledgments.

Indiana University welcomes this opportunity to speak to you in support of federal assistance as a continuing priority to provide the instruction and research our society needs.

Student Assistance Programs

I understand, Senator, that another panel will deal in detail with federal programs of student assistance. Indiana University is supportive of the propositions which are contained in the "Recommendations for Reauthorization" which has been compiled by the Indiana Conference of Higher Education. And, financial aid directors will provide you with specific and detailed proposals for improving the Higher Education Act. However, I do want to make a few observations about this important part of the legislation.

Our need for sustained, and increased, support from the federal government is as great as it has ever been. College costs continue to rise at a level greater than inflation as we attempt to recoup from the years where our ^{Funding} ~~costs~~ did not keep pace with our expenses. At Indiana University, in 1984-85, the federal government provided 24% of our financial aid funds. If you add the government guaranteed loan

program to this figure, 73.7% of our student aid funds came directly from the federal government or lenders with government guarantees. Recently, the General Assembly, has increased appropriations for the programs administered by the State Student Assistance Commission. As significant as these increases are, the need remains strong for substantial federal support if our nation is to achieve the goal of providing an opportunity for all of its citizens capable of benefiting from a higher education.

In your request of me to testify today you asked that I comment on "ways to find savings in the programs." I would like to emphasize a few points made in the ^{conference} ~~commission~~ document which could lead to a better use of federal funds.

The Congress has suggested in its budget resolution, expenditures in the Guaranteed Student Loan (GSL) program would be reduced. We believe that savings can be accomplished in this program by requiring a needs test for all loan applicants, regardless of family income. In addition, it may be possible to achieve savings by establishing the market adjustment allowance and other administrative cost reimbursements at a level which will still allow an adequate return to lender's. Private capital availability is very important in financing higher education and we must assure a reasonable return to lenders to retain their participation.

The rapid and very large growth in the GSL program has provided much needed aid to students. At Indiana University 56.8% of the financial aid administered by our Offices of Scholarships and Financial Aids is in the form of borrowing. We must be cautious that we do not overburden our graduates with a debt which is either too

great or repayment conditions do not encourage timely and full retirement of the debt. A proper balance must be achieved between grants, loans, and employment earnings in meeting the needs of students .

There is a growing consensus that the definition of the "independent student" needs to be altered. We must not forsake the traditional role of the family for providing funds for higher education. Where families can make a contribution toward educational expenses they should be expected to do so. An artificial definition which makes it too easy for students to become emancipated from their parents diverts funds from the truly needy. Several proposals have been advanced for a tightening of the definition and I hope that the Congress will carefully consider them.

Another area in which savings could be possible is to decentralize the Pell Grant delivery system. Not only might savings result, but the procedures by which students apply and receive Pell Grant funds can be improved upon by permitting the Multiple Data Entry (MDE) agencies to process all transactions related to the Pell program. Institutions are willing to aid in the development of a new, streamlined, approach to administering this program. If it is possible through reauthorization to encourage the administration to consider an alternative delivery system we would support it.

Title VI - International Education

Title VI has demonstrated what can be achieved through the combination of Federal support and university initiative. The national need for a substantial capability in foreign language and area studies knowledge, recognized in the first authorization of Title

VI, has not diminished. It grows in importance to our nation's dealings with an increasingly complex and unpredictable world.

The language of reauthorization and the modifications recommended on behalf of the higher education community by ACE-AAU-NASULGC represent our understanding of changes needed in the language of Title VI to adapt its successful formula to the requirements of a much changed world.

We recommend a greater emphasis on the teaching of spoken language and the development of verifiable and testable techniques for teaching spoken language skills in the less commonly taught languages.

We seek a strengthening of the ability to improve undergraduate education in language and area studies. And we look for ways to improve the stability of the funding mechanisms that support this long term program.

Title VII - Construction

We believe Title VII should be flexible enough to provide funding for construction and equipment. While it is true that the useful lifetime of a science building is approximately 15 years, a modern facility serves little purpose if the equipment it houses is out of date. However, only in the broadest sense would we argue for equipment funding as a priority over construction because, from time to time, the needs of a university will vary, a condition which frequently reflects the amount of support provided these categories on the state level. In the final analysis, what is needed are adequate facilities and current, state-of-the-art instrumentation. Substantive and on-going federal support is vital to successful research efforts.

Before concluding my remarks and at risk of stating the obvious I want to emphasize the Higher Education Act has strengthened our universities and colleges and most certainly deserves reauthorization. I congratulate the committee for the work it is undertaking in revising the act to efficiently and effectively address our nation's present and future challenges.

Thank you.

Senator QUAYLE. Thank you very much.

Now the commissioner of higher education who tries to put all this together, Dr. Clyde Ingle.

Dr. INGLE. Thank you, Senator.

I am pleased, on behalf of the Indiana Commission for Higher Education, to have the opportunity to speak to the reauthorization for the Higher Education Act.

My comments today come from the perspective of a State level official reporting to a citizen commission which has the responsibility to view higher education from the State level perspective. From that perspective, I would like to recognize and emphasize today the unique partnership which exists between the Federal Government and the State governments in higher education. In doing so, I acknowledge that uniquely American invention, the Federal system, and suggest that the Federal-State partnership in higher education is a good example of why our system of government has worked so well.

Rather than speak to the various specific parts of the act under consideration, I would like to briefly outline some of the major dimensions of the partnership in Indiana. I will then stress what I perceive to be the highest priority programs in the partnership and then close with a general suggestion for the reauthorization process.

Regarding the Federal-State partnership in higher education and in Indiana, in 1984-85, the Federal investment in the operating budgets of Indiana higher education represented 9.3 percent of the total for the public institutions, and 4.9 percent for the independent institutions. The remaining 90.7 percent of the public operating budgets came from the following sources: 19.7 percent, student fees; 37.4 percent, State appropriations; 33.4 percent, other income from the sale of services, hospital fees, return from endowments, et cetera.

For the independent institutions, the portion of operating budgets remaining after the Federal investment was 95.1 percent broken down as follows: 48.5 percent from student fees; 2.1 percent from State appropriations; and 46.3 percent from other income, principally sales and services, hospital fees, gifts and income from endowment, et cetera.

Placed in context then, the Federal investment in higher education in Indiana is relatively low as a portion of the total investment from the State, from students and from private contributors. Having established this perspective, I do not wish to suggest that the Federal investment is unimportant. In fact, it is not only important, it is in certain areas critical.

Briefly, I would like to turn to the most critical area of Federal investment which, from my perspective, is student financial assistance. Here I will elaborate briefly on the Federal-State partnership in this area in Indiana.

In 1983-84, of \$89.58 million invested directly by government in financial assistance in Indiana, 75 percent came from Federal sources. This did not include the Federal subsidy of student loans which would increase this sum substantially. During that year, of a total of 139,434 full-time students, we estimate that 51 percent received financial support from the financial aid system.

The Indiana Conference of Higher Education, in its recommendations for reauthorization of the 1985 act, has placed highest priority upon student assistance. The data above indicates why higher education officials in Indiana see student assistance as being the primary area of Federal activity. We in Indiana have a serious concern for this program area for a number of reasons.

First, the State, together with the Federal Government, has a basic commitment to the principle of providing opportunities for citizens to advance themselves to the maximum extent possible via education. This opportunity has always been critical to the Nation's welfare. Today, however, this opportunity is perhaps more critical than ever to the national and to the State's future. Thus, when we look to funds available for assisting our students to pursue a higher education, we find a marked decline in funds available.

For example, in 1977-78, we estimate that the total maximum State and Federal grants would have met approximately 100 percent of the average costs of attendance at public institutions and 80 percent of the average costs at independent institutions. In 1984-85, maximum grants would meet less than 55 percent of average costs at public institutions and less than 50 percent at independent campuses.

At the national level, recent analysis from the college board shows that grants awarded to students declined in constant dollars by 27.8 percent in the period from 1980-81 to 1984-85. This occurred during a period when the cost of attendance increased during the same period from 20.7 percent in the private university to 8 percent in the public community college. The net impact, we believe, is to reduce the opportunity for students from lower income families to attend college.

The most notable example in Indiana is the participation of black students, which declined 2.5 percent from 1982-83 to 1983-84, continuing a decline which began in 1980. In view of the critical role which minority youth must play in the work force in the years ahead, this becomes a major State as well as a national problem. While the decline in resources is not the only cause of this problem, it certainly is a contributing factor.

I would like to close by suggesting two propositions for your consideration in the reauthorization of the Higher Education Act.

First, in order for the Federal-State partnership in higher education to continue to be a healthy one, it is important that consideration be given to those activities which can best be performed from the Federal level and those which are best performed at the State and at the institutional level. There is always a tendency for us at the State level to want to get involved in matters which are best performed at the institutional level. Likewise, from time to time, there has been the tendency at the Federal level to get involved in activities which are best performed at the State level. The result is inefficiency at best and mischief at worst.

I would urge a working rule of thumb for programs under the Higher Education Act which requires convictions that the program can be better initiated in Washington than at the State house. If the evidence is not convincing that this is the case, then the Federal Government should probably not become involved.

A second proposition which I would suggest is that very hard and deliberate priorities be established for Federal investment in higher education. There is always the tendency for various interests to be expressed via Federal legislation. In a period of very restricted resources, it is more critical than ever to determine which activities under the act are of highest priority for the national interests. Others should be dropped.

Such leadership, I believe, is necessary to sort out the key Federal priorities and focus resources on these priorities to ensure the largest return per dollar invested. A unique feature of the Indiana Conference position on the reauthorization is that it has recommended priorities and has not followed the easy route suggesting that all activities are of equal value.

These two propositions are easy to articulate and much harder to implement. I understand. Nevertheless, I believe that they are critical to the future role of the Federal Government in higher education and for establishing the favorable pattern and climate for a fruitful Federal-State partnership in higher education in the future.

I urge your leadership in implementing these two principles in the reauthorization process.

Thank you for this opportunity to speak to the reauthorization of the Higher Education Act.

Senator QUAYLE. Thank you very much, Dr. Ingle. And thank all the panelists very much for their oral testimony. The written testimony will be a part of the record.

I have got two areas I want to probe a little bit. One is the preservation of access. But the question is not only on access, but should there be an automatic guarantee that not only access but also choice of any university without any limitations no matter what the costs may be.

And the second area I want to probe a little bit on is how we should approach, and what kind of policy implementation and thinking we ought to target for the nontraditional student which is the growing student population.

Let us first take this access versus choice. Now we all support access. I mean that is what title IV of the Higher Education Act is all about. Access, whether it is through grants, through loans, through better forms of financial assistance. And the basic principle and philosophy has been well documented and something everybody supports. By and large, everybody supports access.

But once you get into the access, the question comes particularly with the limitation of Federal resources; should the access be given to the student to choose any university that he wants and, therefore, that the loan or the grant, if they be up for the grant, should match that contribution, or should there be a drawing line on cost, so to speak?

Dr. Ryan pointed out the concern he had about making the student in debt upon graduation, which I think is a concern. If you take a student that goes to a university and gets a loan, not a grant, and they get up to \$12,000, \$15,000 a year, you multiply that times four, that is a fairly heavy debt obligation. And I think with that we have got to think about this.

One of the propositions that has been advanced, and maybe you can comment on it specifically, or look at it in a broader policy definition, national terms, is that the amount of loan that a student is going to receive would be, say, cut off at \$7,500 or thereabouts. In other words, a student could receive a loan or grants, if they are eligible in the needy category, up through \$7,500. But beyond that, there are going to have to be some other options that will be available to the student.

Now, obviously you may get a split in thinking with perhaps many of the colleges and universities with tuition costs below \$7,500, will say, "Well, there is no problem there. It would not affect us." On the other hand, the universities that are not below that, pick my alma mater, are higher than \$7,500 today, and you probably get a little bit different thinking there. I know the administration supports a cap; they support a much lower cap. They first suggested, I think, a \$4,000 cap which was really very unrealistic.

The cost of going to the school is an issue that we ought to take a close examination of. Is the cap on aid a good idea? If not, why not? It is one of the ones I have thought a lot about. It is not an easy question but will be discussed if I have a say. I do not know what the Congress is going to do, but it is certainly one that is going to be talked about a great deal.

If we could just go down the line.

Dr. Schnabel.

Dr. SCHNABEL. Just one question. The figure you used, is that cumulative or single year?

Senator QUAYLE. Single year.

Dr. SCHNABEL. No. 1, the resort to loans is always after we have exceeded all other available sources. That is to say, grants that come through with a Pell program or supplementary program or college work study. Students borrow or should borrow no more than they have by way of remaining need after their family considerations and other grants can be provided.

At the present time, we are not at the \$7,500 limit per year for GSL. That is what you are referring to?

Senator QUAYLE. GSL.

Dr. SCHNABEL. Combined?

Senator QUAYLE. Total.

Dr. SCHNABEL. Was \$7,500 the combination of the grant—

Senator QUAYLE. Total combination of all grants—GSL, NDSL, all loan and grant programs afforded by the Government.

The thinking would be that, as I said, one, the debt problem; two, you know perhaps that will provide access, yes, but limited amount of access. And any kind of percentage that perhaps will hold the costs down.

Dr. SCHNABEL. Well, I suppose one could meaningfully set a limit if one could also assure that there were a cap on inflation. That is the problem we have been running into.

The cost of public and independent institutions have necessarily risen while the sources of funds or grants has not. And that is what escalated the use of loans.

At one time, for example, in the independent sector 5 years ago, the amount of money that the students borrowed was a far greater proportion of their total bill than it is now. And it has declined

such that at that time we had 24 percent of our students moving into GSL's, and today it is 74 percent because the gap is there, and the only way to close that gap is by loans.

If you are suggesting, therefore, that a combination of work, grant, and loan be set at \$7,500, or something like this, this would work only insofar as we are in a point right now, and that we would remain at it. This is adequate to enable students to have both access and choice. And you mean by that an opportunity to pursue an education that suits their aspirations and their abilities.

If we can get zero inflation, we can surely then remain within a—

Senator QUAYLE. I might point out that, obviously, if you set an arbitrary figure of \$7,500, or whatever it would be, you are not going to get complete freedom of choice. I think that is implicit in the question.

So, if you are saying that they ought to have absolute choice and that, therefore, the loans and grants that are available for whatever the cost would be, then you would come down and say, "They ought to have as much choice as possible without the funds." Because you will deny some choice because these loans would obviously be targeted in some colleges and universities that would be over. We would have to figure out a way through their own foundations or whatever to make up the difference. So that is a policy question.

Dr. Beering.

Dr. BEERING. Well, I have mixed emotions about it because life really is not quite as idealistic as we are assuming it to be by saying everyone has total choice and total access. There are many other factors, geographic and cultural and ethnic and the capabilities of the individual student and special interests that he or she may have in terms of professional and vocational goals. So it is a very, very large mixture of factors that enter into it.

At this point in time, I would be comfortable with a \$75,000 or \$8,000 cap if you were to couple it with a price inflator to take care of Dr. Schnabel's concern about the inflation. But the history of this program that we have lived with has relatively the same amount of resources available. And so, in essence, we have been rationing the available dollars in the face of rather severe increases in cost. So I am a little worried about it for that reason as well.

Senator QUAYLE. Dr. Ryan?

Dr. RYAN. Senator, I think there are some elements to the idea that need some more examination.

For the record, let me say that Indiana University itself would have no particular difficulty with that level of combined support. But there are two things that I have thought of in the last 30 seconds, so this will probably be as brilliant as 30 seconds as 30 seconds can be, which is not very brilliant for an Irishman like me.

One is that I wonder about the wisdom of any kind of cap that embraces grants as well as loans. It seems to me that both for social and political reasons in a grant program it is important to have the widest kind of availability and diffusion among the population. After basic qualification of an individual is determined, it is the determination or the desire of the individual, of the student or his family to pursue education at all and to pursue it at a particular place that creates a variation of the cost level.

What I am really trying to say is that the Federal Government's allocation of funds or grants is a current expenditure to buy a capital asset, namely a more highly educated member of society. Federal funds invested in loans is an investment. It is an investment that provides a return in the form of a capital asset.

It seems to me the loan choice to the individual is the amount of—is the cost of the money, that is, interest that is charged, as against his employment of his own increased capital asset in his future. That is why I suggest examining the idea of it more.

And if one were to move in the direction of fixing the total, of capping Federal funding for a student for 1 year, I would be uncomfortable with applying that to loans, as uncomfortable as I am with loans being too high.

Loan money is a different kind of money than grant money, and I think there is a different argument to be made relative to cap. I say that mindful of the fact that we cannot be indifferent to the cost experience of the nonpublic institutions of the country for the very practical reason that if we are, pretty soon we will find that others are indifferent to the cost experience of public institutions of this country.

Also, I think, that preservation of the quality and integrity of the non-public system is as important to us as any other feature of our own public system.

Second, point I would make—is more tactical than financial. You are more expert than I in observing the life cycle of policies and programs and decisions in the Congress, and so what I am about to say may be extraordinarily naive or way off the mark. But if it is not, then I would like you to give some attention to it in terms of this suggestion about fixed dollar cap cumulative of all Federal programs. I refer to creating an irresistible attractiveness to change the mix of funds that are available in support—financial aid support for students.

What do I mean by that? If there is a fixed cap for all programs, some at least would be encouraged to maximize the amount of loan funds involved in that mixed cap and minimize the amount of grant funds. This could be counter productive by improperly influencing student decisions about choice of career and/or institution.

The temptation, if there is a fixed amount is to maximize within that fixed amount the part that a student has to repay. I think we ought to examine that possibility. That would not be the intention perhaps of such a policy, but it could well be the result.

Senator QUAYLE. There has got to be a proper balance. There is no doubt about it.

Dr. Ingle.

Dr. INGLE. Senator, I would, first of all, urge extreme caution in setting up a situation where was a tradeoff between access and choice.

In my judgment, the principle of promoting the equality of opportunity involves the opportunity to choose among institutions. It seems to me that if we had this tradeoff situation defined, then we will end up having a lively conflict between sector which we cannot afford.

So I would urge that we think in terms of how best to promote opportunity and reduce the stress of the tradeoff which has been

described. It has been over the year, but I would still like to raise caution about it.

Second, the proposition of a cap, as you have presented it here, I am not sure what the assumption is about an individual self-help component of the costs of attendance. And I would assume that one of our propositions here might be to ensure that all students are making some reasonable and tough self-help contribution.

I would stress it seems to me that there exists today for lower income students a real cap on available resources to the extent that, in my judgment, we are ending up with a reduction in participation in the very areas where we cannot afford it. So, rather, the practical cap is to reduce the cost to the Federal budget is a formal policy cap or whether, in fact, it is a rationing cap which is the result of where we are today.

It seems to me we need to back up and ask what is the practical impact of the opportunity of either of these caps.

Now I would offer very quickly in closing the thought that we have no problem from a State level perspective with caps. In fact, we have implemented in the last legislative session the principle that no student who chooses to go to a private institution should be receiving more public money than if that person chose to go to the lowest cost public institution. The principle, therefore, is that we support choice, but it is not an unlimited choice. It is a choice that one has to be willing to pay.

So the principle of cap, in my judgment, does not interfere with the principle of access and choice and, broader, principle of equal opportunity.

Senator QUAYLE. OK.

In deference to our time constraints, I am going to have to save that question for another panel. We have been on this for an hour. With five panels, I will get out of here at 2 o'clock. That is way beyond the time I have to report back to duty.

So, gentlemen, thank you very much. We will be looking to the board for future ideas and future communications on this issue.

Next, Dr. Summers, Mr. Lamkin, Mr. Conti, Dr. Helman, Mr. Martin.

OK. Leadoff batter, Dr. Phil Summers, president of Vincennes University.

Welcome and proceed.

STATEMENTS OF DR. PHILLIP M. SUMMERS, PRESIDENT, VINCENNES UNIVERSITY, AND PRESIDENT, INDIANA CONFERENCE OF HIGHER EDUCATION, VINCENNES, IN; GERALD I. LAMKIN, PRESIDENT, INDIANA VOCATIONAL TECHNICAL COLLEGE, INDIANAPOLIS, IN; A.W. (TONY) CONTI, PRESIDENT, INTERNATIONAL BUSINESS COLLEGE, FORT WAYNE, IN; DR. A. BLAIR HELMAN, PRESIDENT, MANCHESTER COLLEGE, NORTH MANCHESTER, IN; AND DR. ROBERT E. MARTIN, PRESIDENT, INDEPENDENT COLLEGES AND UNIVERSITIES OF INDIANA, INC., INDIANAPOLIS, IN

Dr. SUMMERS. Many of the people in the first panel acknowledged the Indiana Conference of Higher Education and what has been achieved in that report. And I would want to acknowledge

that Dr. Joe Giusti, sitting here in front, coordinated that effort, and Betsy Brand from your staff was an important person too.

Senator QUAYLE. Thank you.

Dr. SUMMERS. The other thing I would want to know is this is a landmark year, if I am correct. About 200 years ago, the Federal Government got into the business of helping higher education with the ordinance of 1785. In fact, that is how Vincennes University was founded, with 23,000 acres of land that came from that grant. And we have been successful in having Federal support ever since.

The 1965 authorization was landmark legislation. And again this year the reauthorization will probably result in landmark legislation in terms of Federal assistance to Higher Education. Vincennes University is the 39th oldest college in the United States. And today there are 1,200 technical colleges, community colleges, junior colleges. I thought you might like to hear what this act does for one college in the State that you represent, Vincennes University.

I am not going to speak to all of the titles, but some that are very important to us. Title III, the strengthening developing institutions funds. We received a number of grants from that title totaling approximately \$2.4 million.

Vincennes University is a teaching institution. Instruction is critical. Those dollars helped us become what we hope would be one of the best community colleges in the United States in terms of serving disadvantaged students. We also received a challenge grant through that title III which allowed us to have the first computer aided design, the CAD system, for educational purposes, in the Midwest. Resulting from that Federal assistance has been some unique programs such as Robotics degree program which was the first in Indiana.

Our recommendation in terms of title III is that the Secretary would give preference to those institutions that have been previously funded and demonstrated their ability to achieve the goals of that title. Also preference should be given to those institutions that have been able to institutionalize the activities that were developed through that grant.

Our eligibility has been continued. We will be applying for another grant under that title, and it definitely serves disadvantaged students. At Vincennes University we have an open door admission policy, and we have a great number of students who come to VU for our services for the disadvantaged student.

Title IV, you have heard much discussion of that. The information that I would share with you is 78 percent of our full-time students on the Vincennes' campus qualified for financial aid. That is somewhere around 3,600 students last year with approximately \$5 million being received.

I would tell you a personal reference in terms of financial aid. I think I was probably one of the first students at Indiana University in the year 1959 to receive a national defense student loan. I know how important financial aid is because that was the only hope I had of finishing my degree. Recently that was brought back to my mind when I met in our administration building a lady with two small children in her arms asking for the financial aid office. She said she had to have help because that was the only hope she had

for her future life, to get a good education. I believe that is what that title is to do, to provide access and hope for all.

In terms of the other titles, I would speak very briefly to the construction title, the facilities title. We have received about \$3 million, almost \$4 million from this title. The new emphasis should be on reconstruction or remodeling. That is going to be crucial in the future.

I would also want to state that in title X, we have been able to help a significant number of welfare mothers. VU has a program that has been developed and institutionalized, and we have over 150 people that we have tried to help through that program.

Hope. I mentioned that Vincennes University was founded because people believed if freedom and opportunity was going to be possible and exist on the frontier, they had to have education. I believe that the need is even greater today.

Thank you.

[The prepared statement of Dr. Summers follows:]

Testimony of Phillip M. Summers, Ph.D
 President of Vincennes University
 Before the Subcommittee on Education, Arts and Humanities,
 Senate Labor and Resources Committee
 September 9, 1985
 South Bend, Indiana

Mr. Chairman and Members of the Subcommittee: I am Phillip Summers, President of Vincennes University. Thank you for the opportunity to speak upon the reauthorization of the Higher Education Act of 1965.

It is appropriate that, two decades after passage of the Higher Education Act of 1965, this Subcommittee should hold hearings upon its reauthorization here in Indiana. For, two decades after the enactment of the ordinance of 1785 (the nation's first legislation to extend general aid to public higher education through grants of public land), the citizens of frontier Indiana petitioned Congress for Federal assistance. The successful result of that petition was the establishment, in 1806, of Indiana's first institution of higher education, Vincennes University.

While it took two decades for Indiana's citizens and Vincennes University to receive benefits from the ordinance of 1785, they have received assistance each and every year from the Higher Education Act. Vincennes University and those it serves have been assisted under most titles of the Act. Specifically, the University and its students have received assistance under Title I, Continuing and Community Education; Title II, College Library Assistance; Title III, Instructional Aid; Title IV, Student Assistance; Title VII, Construction of Academic Facilities and Title X, Fund for the Improvement of Post Secondary Education.

I would like to share with you some examples of how the Higher Education Act

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has served the students of Vincennes University and the citizens of Indiana.

Although it only received \$27,000 through Title I, Continuing and Community Education, these funds enabled the University to meet the special needs of adults and businesses through workshops and seminars. Unfortunately, at a time when response to those special needs of adults and communities is becoming increasingly urgent, Congress has chosen not to fund the program designed to meet those needs.

The \$150,000 granted Vincennes University through Title II, College Library Assistance, supplemented the University's purchases of library materials. These funds, discontinued this year, after eight years of decline, are sorely missed.

The programs which have played the most decisive roles in enabling Vincennes University to respond to the needs of Indiana students have been Title III, Institutional Aid and Title IV, Student Assistance. We continue to regard these titles as the twin keystones of any legislation to assist higher education.

Vincennes University has received approximately 2.4 million dollars through Title III, Developing Institutions Program. Through the early Basic Program of Title III, the University led a consortium of midwest junior colleges in assisting faculty to develop individualized instruction techniques and audio-tutorial teaching methods, so that students could learn at their own individual rates.

Through two long-term Advanced Program grants, the University was able to improve its performance in instruction, in student services and in administrative and financial management. During the eight years that these projects

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existed, faculty improved existing courses and shaped new courses, complete study skill-assistance and tutorial programs were developed to meet the needs of University students, and computerization of financial and management information greatly aided decision-making and fiscal management. Computerization of financial aid records resulted in both better management and better service to students.

Four years ago, Vincennes University was awarded a Title III Challenge Grant. Of special significance was the matching of federal funds with private dollars for the purchase of high tech equipment. With the assistance of this grant, Vincennes University established the first Computer Aided Design (CAD) system in the midwest for educational purposes. This Title III grant enabled the development and improvement of a number of courses (including Indiana's first robotics program).

We support the continuation of Title III, and its present programs. However, we recommend that the Secretary give preference to those institutions formerly funded under this Title which clearly demonstrate the institutionalization of previously funded activities. And, we ask that all colleges which serve disadvantaged students have equal access to the program.

Title IV's financial aid grants and loans are extremely important to the students we serve. Last year, 3,667 students (78 percent of our full-time students on the Vincennes campus) received over 5 million dollars in grants and loans through its provisions. While we recognize the need for careful management of these funds, we suggest that some flexibility must be maintained by the institution to meet the legitimate needs of those it serves. Especially

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urgent is recognition of the needs of the part-time and adult student. For instance, under present law, the dependent of an individual making 12,000 dollars a year would be eligible for all forms of financial aid. The parent, however, would be eligible for no assistance. We suggest that equity is lacking.

Vincennes University is the only Indiana institution of higher education to sponsor four (Upward Bound, Special Services, Talent Search and Veterans Upward Bound) of five TRIO programs and has one of Indiana's oldest Upward Bound Programs. Annually, the University receives over one-half million dollars to support these programs' services through Title IV.

The staff of these programs, in cooperation with high school teachers and counselors, parents and University faculty and staff, offer support and services to young men and women from throughout southwest Indiana. This nation is facing a shortage of educated and skilled young people to meet its needs. The staff of these programs are reaching out to aid those who might otherwise never attempt to reach their potential. The Veterans Cost of Instruction program, woefully underfunded at present, allowed the University to offer Veterans some special assistance.

In the 1960's and early 1970's, colleges and universities desperately needed help to construct buildings to house courses for the increasing student population. Through grants totaling 3.6 million dollars, Vincennes University was assisted in renovating or constructing twelve classrooms, laboratory and library buildings. That need, despite level enrollment, still exists for some of us. For all of the colleges in Indiana, however, the most pressing facilities need is for assistance to insulate, renovate and modify existing buildings. A small investment through Title VII to meet these needs would preclude a later need for massive funds to replace these buildings.

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While Vincennes University has received only one three-year grant through Title I, Fund for the Improvement of Post Secondary Education, we believe that it is an example of what may be accomplished through the judicious investment of Federal funds. In 1977 we received a grant to offer displaced homemakers, mothers receiving Aid to Families with Dependent Children and other disadvantaged adults assistance in completing some form of postsecondary education. The total amount of the three-year grant was slightly over 144,000 dollars. Each year the Program for Adult Student Success enrolls approximately 150 individuals. Its graduates leave the welfare rolls and become financially responsible tax payers. Again, the major deficiency of this program is that so little money is appropriated to meet the educational program needs of so many.

As chairman of the Indiana Conference for Higher Education, it has been my privilege to preside over its exhaustive analysis of the present Act and its deliberations for recommendations for the Act's reauthorization. Representatives from each of Indiana's institutions -- 118 faculty, administrators and staff -- formed task forces and examined each Title of the Act carefully. The results of our deliberations are contained in our final report, "The Higher Education Act of 1965 ... Recommendations for Reauthorization."

The Act has been characterized as this nation's first coordinated education program designed to cope with the rising aspirations of young people from every social class. While we must maintain emphasis on the education of the young, I would hope that the Act, when reauthorized, will be described as the nation's first education program designed to cope with the rising aspirations of all people of all ages from every segment of society.

Thank You.

Senator QUAYLE. Thank you very much, Dr. Summers.

Next Mr. Jerry Lamkin, president of Indiana Vocational Technical College.

Mr. LAMKIN. Senator, as the president of the 22-year-old, State-supported technical college, we are pleased to have this opportunity to offer comments with respect to reauthorization of the Higher Education Act. Specifically I will be addressing four items:

One, the importance of the Federal student aid programs to students and to our institution.

Two, offering suggestions for mechanisms to effect savings in these programs.

Three, the impact of steadily increasing numbers of adult learners at our institution and the unique needs for financial aid for this population.

And, four, strategies to assist adult students in achieving further education and training.

Ivy Tech, as we are popularly known in Indiana, is a State-supported institution of postsecondary education. We are the third largest postsecondary educational institution in the State, enrolling over 53,000 credit students annually in more than 50 degrees and technical certificate programs. Sixty percent of our students attend on a part-time basis. The average age of an Ivy Tech student is 27. Nearly half are married, and the majority hold some form of employment.

Created in 1963 by the Indiana General Assembly, it is the mission of Ivy Tech to provide occupational training of a practical, technical and semitechnical nature, designed to help Hoosiers meet individual career goals and, at the same time, to provide a qualified work force to promote the economic development plans of the State. To that end, Ivy Tech serves the needs of Indiana citizens in every county through its network of 13 regions with classes offered in over 40 communities throughout the State.

During 1984-85, Ivy Tech students participated in a variety of financial aid programs, many of which were funded through local, State, and Federal resources. Out of a total enrollment of 27,692 students, roughly half, or 13,691, students received some form of student financial aid with an average award of approximately \$1,200.

By contrast, if I had appeared before this group 10 years ago, I would have outlined the financial aid program for Ivy Tech students dominated by veterans benefits and consisting of CETA training, and some BEOG grants and Federal work study.

Five years ago, I would have explained a program in which 4,010 students, or 16 percent of the student enrollment participated in veterans benefits programs, 937 participated in social security, 3,817 in BEOG, and 1,047 in student loans. Additional students received assistance from employers, private scholarships and other aid programs. The total financial aid recipients amounted to 56 percent of the student population.

Today, fall of 1985—and this data will not be final for another 2 weeks—the trend indicates that student participation in veterans benefits and social security programs now comprise less than half of the number of 5 years ago, or less than 10 percent of our entire

student assistance program. Several hundred students are no longer eligible for participation in JTPA programs.

Because of the decline or phaseout of these programs, other campus-based financial aid programs are showing increased rates of participation and are becoming of greater importance. These programs include for Ivy Tech: Pell grants, \$7.6 million, up 175 percent since 1980; college work study, \$534,267, up 25 percent; supplemental education opportunity grants, \$99,731, up 361 percent; and guaranteed student loans, \$5.9 million, up 110 percent since 1980.

My point, in quickly reviewing the colleges' financial aid program over the last 10 years, is to emphasize how the dimension of the program has changed.

Today, Ivy Tech students rely heavily on Pell grants, guaranteed student loans, college work study, State grant programs, college fee remissions and employer assistance and, to a far lesser degree, on veterans benefits, JTPA and social security benefits.

Perhaps this illustration has afforded a better understanding of the financial aid picture and of the uniqueness of Ivy Tech students who are older and are primarily enrolled on a part-time basis. Student aid plays an important role in enabling students to obtain their objectives.

In addition, it enables Ivy Tech to reach its mission of serving the citizens of Indiana.

Ivy Tech, as a member of the Indiana Conference of Higher Education, supports the recommendations for reauthorization issued by the conference in April of this year. In addition, however, I would like to address some specific concerns. One, the current student eligibility regulations are restrictive and exclude large numbers of people, in particular the older and oftentimes employed student in attendance at Ivy Tech.

We request that these regulations be reviewed and modified to permit less than half-time students access to student aid programs which would enable them to finance their educational objectives while continuing their present employment and supporting their families. With such flexibility, more adults, minorities, unemployed, and academically underprepared students returning to school for upgrading or retraining would, for the first time, have access to the means with which to remove the most significant barrier to their educational objectives; namely, financing.

Second, the specific conclusion of the National Commission on Student Financial Assistance, that there is no compelling reason to radically change any of the assistance programs to keep pace with increased costs, may not fully address the real issue of authorization versus appropriation. Ivy Tech concurs that while part of the problem may be inadequate funding, it may also be the inflexibility of the programs themselves.

The concept of block grants wherein institutions would have greater flexibility with Federal student aid dollars is an idea which should be explored more fully. We believe that the grant support should be increased, particularly for the neediest students so as to slow the growing dependence upon student loans and the potential for default. Such flexibility may also serve to simplify and improve the delivery system dramatically.

Third, the validation process associated with the Pell Grant Program places an enormous burden on our institution. The unfortunate outcome is that far more time is spent processing voluminous paperwork, thus diminishing time spent assisting the student with counseling as to aid options and availability. Obviously, the need for verification of data is recognized and compelling. One solution might be to find a better mechanism to gather reliable information at the time of initial application without the need for subsequent validation.

Related to this issue is the subject of cost savings. Ivy Tech would support a revision of the regulations governing administrative cost allowances. Since schools are the ultimate beneficiary of student assistance programs, it is arguable that participation in the costs of administration of these programs which enable so many students to attend our institution who might not have been able to without such assistance would be a reasonable expectation.

Other cost savings may similarly be possible within the Guaranteed Student Loan Programs. A few of the areas which might be considered are the administrative cost allowances to guarantee agencies in special allowance payments, subsidies to lenders, and by perhaps considering the imposition of a requirement for satisfactory academic progress; that is, unsatisfactory progress equals no renewal of Pell grants; limiting the number of times a student could change his major without loss of his grant; or targeting the grants to students studying in fields where a determined shortage of qualified workers exists.

Finally, while these programs will always require updating, there is a tremendous need for stabilization. Stability would avoid the uncertainty created by constantly changing rules and regulations and the timely communication of same.

We, the educational institutions of this great land of ours, the students, parents, and all those concerned with the future of our country, depend upon you to not only provide the programs in support of our common national objectives, but to make them efficient and workable as possible.

We look forward to working with the Federal Government to accomplish this goal, and thank you for giving us the opportunity to present our views this morning.

Thank you, Senator.

Senator QUAYLE. Thank you very much, Mr. Lamkin.

Next Mr. Tony Conti who is president of the International Business College of Fort Wayne.

Mr. Conti.

Mr. CONTI. Senator Quayle, I too appreciate the opportunity to testify this morning regarding reauthorization of the Higher Education Act. In addition to representing my institution, I am reflecting the views of the Association of Independent Colleges and Schools of which IBC is a member.

International Business College has been in existence for 96 years. It provides comprehensive secretarial and accounting training primarily in 10- to 12-month programs.

IBC students are drawn primarily from middle-income families and from throughout the State of Indiana and neighboring States.

Appended to my testimony is a copy of the position paper developed by the Association of Independent Colleges and Schools regarding the Higher Education Act reauthorization. I will not review each of the items discussed in that position paper but, instead, will highlight those which are important to International Business College and its students.

Item No. 1: Increase in the loan maximum to at least \$3,000 per year. Increasing the maximum to \$3,000 would be a small first step to provide greater access to postsecondary education for many students. Increasingly, a student is dependent on loans for providing a large part of the cost of attendance because grants and work study funds have also not kept pace with the CPI. An increased GSL maximum is particularly important for students attending private institutions where, of necessity, tuitions and fees are higher than at publicly supported institutions.

Item No. 2: A sure access for all eligible students through nondiscrimination and lender of last resort requirements. Adults returning to school for retraining on a half-time basis have difficulty in finding a lender. Providing guaranteed access to the GSL Program would assure that adults seeking retraining would not be denied that training for financial reasons.

Increasing the special allowance paid to lenders and imposing stricter due diligence requirements on both lenders and guarantors will inevitably restrict access to loans to the least creditworthy, generally in the low-income and/or vocational school student.

Item No. 3: Maintain automatic eligibility for students from families with adjusted gross incomes of less than \$30,000.

Current law allows students from families with less than a \$30,000 AGI to be eligible for the GSL in school interest subsidy and special allowance subsidy. This provision should be maintained because otherwise a large number of independent students would be denied access to GSL's. In spite of the fact that independent students making \$10,000 to \$25,000 a year are presumed to have sufficient funds to pay for their postsecondary education, as determined by the current needs analysis, realistic costs estimates for financially supporting a family leave little money to pay for a postsecondary education.

Item No. 4: Changes can be made to reduce defaults and save money in the GSL Program. Congress should provide that repayment of GSL's be graduated according to the number of years a student has been out of school. Often students are unable to repay a GSL during the early years while, at a later date, they have a much higher income and a greater ability to pay.

Item No. 5: The College Work Study Program should be modified to allow students attending proprietary institutions to participate in the College Work Study Program on campus. International Business College currently uses college work study funds for its cooperative education students. By pairing two students, we allow them to fill a single position in nonprofit organizations. However, because of the comprehensive and intensive nature of the Business School Program, it is often difficult for students to find positions in nonprofit agencies in order to use the college work study funds.

Item No. 6: Eliminate uncertainty in the needs analysis and general provisions section of the statute. At International Business

College, we try to package the student aid funds 1 year in advance. Unfortunately, regulatory requirements for transcripts in order to obtain a GSL or uncertainty as to what the family contribution will be for the grant program inhibits long-range planning for students, their families, and the institutions. Therefore, we recommend that a master calendar be adopted for the delivery of student financial assistance, and that certain parts of the need analysis be included in the statute so that the Department of Education's discretion would be limited.

We, the administration of postsecondary institutions, recognize that we must form a partnership as legislators, lenders, guarantors, students, their parents and, ultimately, the taxpayers to provide the best opportunities possible. I look forward to assisting in that effort, and I thank you very much.

[The prepared statement of Mr. Conti and the position papers of the Association of Independent Colleges and Schools follow:]

TESTIMONY

BY

MR. A.W. CONTI
PRESIDENT, INTERNATIONAL BUSINESS COLLEGE
FORT WAYNE, INDIANA

Senator Quayle and Members of the Subcommittee. I appreciate the opportunity to testify before the Subcommittee this morning regarding reauthorization of the Higher Education Act (HEA). I am Anthony Conti, President of International Business College (IBC), Fort Wayne, Indiana. In addition to representing my institution, I will reflect the views of the Association of Independent Colleges and Schools (AICS), of which IBC is a member.

International Business College has been in existence for 96 years. It provides comprehensive secretarial and accounting training primarily in ten-to-twelve month programs. IBC is recognized by the AICS Accrediting Commission and the State of Indiana as a junior college, thereby qualifying it to award the associate degree. Programs at both the Fort Wayne and the Indianapolis schools begin in July, September, and February of each year and there are currently 750 students enrolled.

IBC students are drawn primarily from middle-income families and from throughout the State of Indiana and neighboring states. Dormitory facilities are provided at both locations. Tuition and fees are approximately \$5,000 per academic year. IBC has strict attendance and dress codes and successfully places over 95 percent of its students in jobs requiring skills learned at IBC.

Appended to my testimony is a copy of the position paper developed by the Association of Independent Colleges and Schools regarding the Higher Education Act reauthorization. I will not review each of the items discussed in that position paper, but instead will highlight those

which are important to International Business College and its students.

I. INCREASE THE LOAN MAXIMUM TO AT LEAST \$3,000 PER YEAR

The current Guaranteed Student Loan (GSL) maximum was established in 1972 when the program was established. Obviously, the \$2,500 maximum has not stayed current with either the Consumer Price Index (CPI) or the increases in the costs of education since 1972. The result is an increasing gap between the cost of education a student must pay and the financial support received to fund a postsecondary education.

Increasing the maximum to \$3,000 would be a small first step to provide greater access to postsecondary education for many students. Increasingly, a student is dependent on loans for providing a large part of the cost of attendance because grants and work study-funds have also not kept pace with the CPI. An increased GSL maximum is particularly important for students attending private institutions where, of necessity, tuitions and fees are higher than at publically-supported institutions.

II. ASSURE ACCESS FOR ALL ELIBIBLE STUDENTS THROUGH NONDISCRIMINATION AND LENDER OF LAST RESORT REQUIREMENTS

The Guaranteed Student Loan program was established as an access program wherein borrowers would not have to go through a credit check or other impediments to receive a GSL. The imposition, by statute or by program policy, of additional barriers to that universal access will greatly handicap those very students who need the aid the most in order to attend postsecondary institutions. Therefore, we recommend that the NEA include a nondiscrimination clause which would prevent any lender and guarantor which participates in the program from discriminating against any student based on the type of program in which they are

enrolled, the length of the program, and the attendance of a particular institution. Moreover, all state loan agencies participating in the GSL program and receiving Federal reinsurance should provide or ensure the availability of a lender of last resort.

Adults returning to school for retraining on a half-time basis have difficulty in finding a lender. Providing guaranteed access to the GSL program would assure that adults seeking retraining would not be denied that training for financial reasons.

Decreasing the special allowance paid to lenders and imposing stricter due diligence requirements on both lenders and guarantors will inevitably restrict access to loans to the least creditworthy, generally the low-income and/or vocational school student. Changes to the law as a result of reconciliation and reauthorization should be particularly sensitive to the market forces which drive the GSL program.

III. MAINTAIN AUTOMATIC ELIGIBILITY FOR STUDENTS FROM FAMILIES WITH ADJUSTED GROSS INCOMES (AGI) OF LESS THAN \$30,000

Current law allows students from families with less than a \$30,000 AGI to be eligible for the GSL in-school interest subsidy and special allowance subsidy. This provision should be maintained because otherwise a large number of independent students would be denied access to GSLs. In spite of the fact that independent students making \$10,000 to \$25,000 a year are presumed to have sufficient funds to pay for their postsecondary education, as determined by the current needs analysis, realistic cost estimates for financially supporting a family leave little money to pay for a postsecondary education.

IV. CHANGES CAN BE MADE TO REDUCE DEFAULTS AND SAVE MONEY IN THE GSL PROGRAM

We applaud the efforts of the Department of Education to aggressively collect defaulted loans through such mechanisms as offsetting Federal tax refunds against delinquent or defaulted loans and seeking judicial action against defaulters.

Congress should provide that repayment of GSLs be graduated according to the number of years a student has been out of school. Often students are unable to repay a GSL during the early years, while at a later date they have a much higher income and a greater ability to pay. If such a provision is adopted, it should be as administratively simple as possible in order to not discourage lenders from participating in the GSL program. I would like to note at this point that the default rate of students attending IBC is, in our estimation, quite low. Our NDSL default rate is 2.81 percent and I would expect that our GSL default rate is less than 4 percent.

V. THE COLLEGE WORK STUDY PROGRAM SHOULD BE MODIFIED TO ALLOW STUDENTS ATTENDING PROPRIETARY INSTITUTIONS TO PARTICIPATE IN THE COLLEGE WORK STUDY PROGRAM ON CAMPUS

International Business College currently uses College Work Study funds for its cooperative education students. By pairing two students, we allow them to fill a single position in nonprofit organizations. However, because of the comprehensive and intensive nature of the business school programs, it is often difficult for students to find positions in nonprofit agencies in order to use the College Work Study funds.

VI. ELIMINATE UNCERTAINTY IN THE NEED ANALYSIS AND GENERAL PROVISIONS SECTION OF THE STATUTE

At International Business College, we try to package the student aid funds one year in advance. Unfortunately, regulatory requirements for transcripts in order to obtain a GSL or uncertainty as to what the family contribution will be for the Grant program, inhibits long-range planning for students, their families, and the institutions. Therefore, we recommend that a master calendar be adopted for the delivery of student financial assistance and that certain parts of the need analysis be included in the statute, so that the Department of Education's discretion would be limited.

As you know, the Department has used the family contribution schedule as a rationing device to limit the costs of the Grant program. These schedules bear little resemblance to reality and, as such, often postpone finalization of a student's aid package until the school year begins. As I noted earlier, our school year begins in July, September, and February. For the July start date, it is very difficult to plan how much money a student will have in advance of that date.

VII. THE PELL GRANT MAXIMUM SHOULD BE INCREASED TO COVER MORE OF THE STUDENTS' COSTS

As with the GSL maximum, the Grant maximum has not changed significantly in the past decade. Thus, students and parents must pay an increasingly higher percentage of postsecondary costs. We therefore recommend that the Grant maximum be increased to \$3,000 per academic year in order to recognize the increase CPI and costs of education during the past years.

The Higher Education Act is essential for students desiring to obtain a postsecondary education in the United States. It is essential not only for low-income students, but also for students from middle-income families who need temporary assistance, primarily in the form of loans and workstudy, to pay for their educational costs. The HEA reauthorization should make realistic changes to enhance the opportunities for students throughout the country, while at the same time recognizing the vast deficit the Federal government has incurred over the many years. The Budget Resolution reconciliation bill should not make changes so drastic to the GSL program that access to GSLs is limited for vocational students.

We, the administrators of postsecondary institutions, recognize that we must form a partnership with legislators, lenders, guarantors, students, their parents, and ultimately, the taxpayers to provide the best opportunities possible. I look forward to assisting in that effort.



POSITION PAPER
OF THE
ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS
REGARDING
REAUTHORIZATION OF THE HIGHER EDUCATION ACT

I. General Issues

A. Consolidation of the Campus-based Programs

No consolidation of the campus-based programs should be made. However, if they are consolidated, the following must occur: access to GSLs is assured for all eligible students, in part due to statutory prohibitions against discrimination based on the institution's tax status or type of accreditation; proprietary school students could use their college work/study funds for jobs at the proprietary institution, in the same way that a student attending a non-profit institution can; and triggers are included or assurances made that the elimination of some of the campus-based programs would not result in a reduction of Title IV funds below current levels. If consolidation should occur, it is essential that institutional flexibility regarding the remaining programs be enhanced and that funds be allocated directly to the institutions and not through the states. If the NDGL program is eliminated as a result of the consolidation, it is critical that the NDGL revolving fund capital be retained at the campus level to be used for student assistance purposes and not returned to the U.S. Treasury.

B. Program Flexibility

As an alternative to complete consolidation of the Title IV programs into one loan/one grant/ and one work program, Congress should allow greater flexibility to transfer funds between the SEOG, CWS, and NDSL programs. Currently, institutions can transfer between SEOG and CWS. Since NDSL and CWS are considered self-help programs, the law should provide for similar authority with NDSL. Giving the institutions greater transfer authority would enhance the ability of the institution to meet the specific needs of their students. Also, institutions should be given the authority to use up to 25 percent of their campus-based funds for less-than-half-time students to serve the needs of the increasing number of part-time adults seeking retraining.

C. Campus-Based Allocation Formula

The state allotment formulas should be eliminated and the institutional allotment formulas for the campus-based programs should be changed to reflect true fair share. Under current law, institutional funding for SEOG is computed on a base year of expenditures for 1979-80; for NDSL for 1980-81. The base year should be the year for which the institution is reporting activity on the FISAPP. This change would more accurately reflect the institutions' fair shares or the true aggregate need of the students attending the eligible institutions.

D. Merit Aid

While the philosophy of rewarding students based on excellence is a meritorious one, no money should be taken from existing programs to be used for a merit aid program. To do so would have the undesirable effect of transferring funds from the economically disadvantaged to those in the middle and upper income brackets. If some form of merit aid program is enacted, the fund should be allocated among all postsecondary institutions

according to enrollment and the actual distribution of the merit award should be determined according to a method chosen by the institution. Regulatory guidelines should allow for maximum flexibility so that each institution can meet the objective of rewarding excellence in a manner most suited to its student body and the context of its institution.

II. Grants

A. Pell Grants

The Pell Grants maximum should be increased to reflect more accurately increases in the costs of education. Commuter allowance and percentage of cost increases should be tied to and only triggered by an increase in the grant maximum, otherwise the current competitive balance among postsecondary education sectors will be disrupted. Any further increases in the commuter allowance or the percentage of costs covered by the Pell Grant should be reviewed carefully to ensure that it does not adversely affect students attending specific types of institutions.

B. Supplemental Educational Opportunity Grant (SEOG)

As noted in Part I-B above, additional flexibility in transferring funds from other campus-based programs would perhaps alleviate the need for total consolidation of the Title IV programs. The state allotment formula should be eliminated.

C. State Student Incentive Grants (SSIG)

SSIG funds should be allocated only to those states which do not discriminate based on the tax status or type of accreditation held by an education institution. At a minimum, federal allocations to states should be based only on the number of eligible recipients in that state. This would encourage the states to adopt fairer policies and to allow students from all sectors to be eligible for SSIG.

III. Loans

A. National Direct Student Loans (NDSL)

Congress should enact a provision which would waive the default standard for new capital contribution eligibility if the institution showed a significant improvement (25% or greater) in decreasing defaults over the previous year. Such an incentive was included previously in regulations promulgated by ED, but was removed several years ago. This incentive had a very positive effect on encouraging institutions to take measures to decrease their NDSL default rate.

B. Guaranteed Student Loans (GSL)

1. Access

The reauthorized Higher Education Act should have a non-discrimination clause which prevents any lender which participates in the program from discriminating against any student based on the type of program in which they are enrolled, the length of the program, and the attendance at a particular institution. This non-discrimination provision could be applied to the application of the federal reinsurance. Additionally, all state loan agencies participating in the GSL program should provide or ensure the availability of a lender of last resort. At the very least, the Congress should not enact any provision which would hinder an outside guarantor and lender from guaranteeing and lending in a state where total access for all students is not assured. Moreover, the special allowance should be paid to lenders at a higher rate for borrowers in programs of two years or less to recognize the proportionate higher costs (and lower profitability) of administering and servicing small aggregate loan principals portfolios.

2. Eligibility

Maintain automatic eligibility for students from families with adjusted gross incomes of less than \$30,000.

3. Consolidation

Consolidation of GSLs by Sallie Mae, state agencies, and any lenders should be allowed only where such consolidation does not inhibit GSL access for one-time or infrequent borrowers who have small loans. Consolidation of large loans makes the remaining small loans in the lender's portfolio less attractive to secondary market purchasers. Assurances and incentives if necessary, should be provided in the program to allow for the consolidation of small loans and to ensure that secondary markets will purchase portfolios with single or small loans. Sallie Mae should be mandated to purchase consolidated loans as a purchaser of last resort. Consolidation and extended repayment of loans for more than ten years after graduation should include no government subsidy but should retain the guarantee.

4. Loan Maximums

AICS Recommendation: The GSL loan limit for undergraduate loans should be increased to \$3,000 for the first academic year affected by the reauthorized Higher Education Act and the maximum should be increased each year thereafter based on some inflation indicator. Aggregate and PLUS maximums should also be increased accordingly. The current \$2,500 level does not accurately reflect the increases in the cost of a postsecondary education since the \$2,500 maximum was first established. Concurrently, the federal government should establish a national student loan data base to ensure that borrowers do not borrow more than is authorized, both

annually and in the aggregate. The cost of this data system would likely be paid for many times over by a reduction in loan volume and defaults.

5. Grace Period

The current six-month post-graduation grace period should be extended to nine months, as it was pre-1980. This recognizes the difficulties recent graduates often have in finding jobs.

6. Processing

GSLs should be made co-payable to the institution and the student and mailed directly to the institution. This would ensure that all

GSL funds are used for educational purposes and would streamline the payment process.

7. Default Avoidance

Consideration should be given to the following GSL changes in order to reduce defaults in the program: graduated or income-contingent repayment; use of the federal tax system to collect repayment of loans; and use of aggressive collection efforts, such as offsetting federal tax refunds against delinquent or defaulted loans. Also, multiple disbursement should be mandated for all loans of greater than 600 clock hours, one semester or two quarters. Moreover, policymakers should recognize that education institutions have little or no impact on eliminating defaults and that students from low income families have a greater propensity to default.

IV. College Work Study (CWS)

The statute should be changed to allow proprietary school students to use their College Work-Study funds for jobs on campus. This change would eliminate the last remaining distinction that now exist in the Title IV programs between students attending proprietary and non-profit institutions. Students attending proprietary institutions could use their CWS funds for

many beneficial activities, including in the student aid office, the career counselling office, the student activities office, and for tutoring illiterate adults who need basic skills training. Non-profit institutions currently use over 85% of their CWS for jobs on campus. Most proprietary school students are commuter students attending classes five hours each day, and, therefore, commuting to and working on an off-campus job is impractical. Also, the "Final Report of the Commission on the Higher Education of Minorities" found that working less than half-time, particularly at a on-campus job, has a positive affect on academic persistence. Given the recent finding that proprietary institutions serve the largest proportion of minority students (54%) of all students receiving financial aid, a change to provide equitable treatment under CWS would positively affect minority and low-income students.

V. General Provisions

A. Need Analysis

Any need analysis system should be based on sound economic assumptions which measure a family's true ability to pay, such as the currently approved uniform methodology. Therefore, until Pell Grant appropriations are large enough to fulfill "true need", a separate need analysis system for the campus-based programs must be maintained.

The present Pell Grant system serves as a rationing device. Annually, the proposed family contribution is developed by the Administration according to the appropriations available or being proposed and consequently not based on sound economic assumptions.

B. Timing

The Congress should adopt a master calendar for the delivery of student financial assistance which will require the Department of Education

to present information earlier in the process than under current law. This would enable institutions, families, and students to obtain accurate information in time to affect decisions about postsecondary attendance and choice before the initial payment period. Special consideration should be given to private vocational institutions which often have class starts on a weekly or monthly basis.

C. Independent Student Definition

The Congress should adopt the definition proposed by NASFAA.

D. Satisfactory Academic Progress

Congress should support the institutional-based standard developed by the higher education community and adopted by the Department of Education in final regulations. Any national standard would be unworkable and, at the very least, is likely to contribute to uniformity and mediocrity rather than excellence.

E. "Ability to Benefit" Student Eligibility

ATB students, or those who have no high school diploma or its equivalent but have demonstrated the ability to benefit from the training offered, should continue to be eligible for federal student aid support. These students are generally from disadvantaged economic and academic backgrounds and are the most likely ones to end up on welfare unless they receive relevant job skills training. While we expect that these students will not complete their training at the same rate as those students who are academically better prepared, it does not justify eliminating them from Title IV eligibility.

F. Accreditation

Accreditation by an ED-approved accrediting body, as a threshold requirement for federal program eligibility, is essential to ensure that federal funds are used only to support quality academic programs. Congress

should resist any efforts to decouple accreditation and eligibility for participation in the federal student aid programs.

G. Federal Intrusion

The Higher Education Act should clarify the General Education Provisions Act (GEPA) to prohibit specifically the Department of Education from approving or disapproving an educational institution's measure of academic credit, program of study or other issues of academic quality. Such review and approval authority should repose in the recognized accrediting bodies.

VI. Non-Title IV Programs

A. Cooperative Education (Title VIII)

The Cooperative Education program authorized by Title VIII of the Higher Education Act should be expanded to allow participation by proprietary institutions. The current program provides funds directly to non-profit institutions of higher education to locate and place students in off-campus jobs at public and private organizations related to the students' academic or occupational objectives. Given the high priority that proprietary institutions put on placement after graduation and the strong relationship between the academic training provided and the occupational skill received, the expansion of the cooperative education program would again positively affect large numbers of low-income and minority students.

Senator QUAYLE. Thank you, Mr. Conti.

Dr. Blair Helman, president of Manchester College in North Manchester, IN.

Dr. HELMAN. Thank you, Mr. Senator.

I appreciate the opportunity to present testimony here today. I feel somewhat chagrined when I think back on my 30 years' experience as president of an independent college that I began my career by trying to convince people in government, specifically the Congress, that Federal aid to higher education was a very dangerous thing. And then, looking over the years and the changes that have come today recognizing that the Higher Education Act of 1965, as amended, has been landmark legislation and has had a very significant impact on higher education in our country.

This Nation is stronger in human resources because of the involvement of the Federal Government as a partner in the development of the strongest program of higher education in the world, and in providing access and choice to millions of students for the past two decades.

At this critical juncture in our history, reauthorization of this legislation is imperative. And I would like to suggest respectfully that in the rhetoric of dealing with the higher education issue that all of us be quite careful that we make it clear that we do recognize that a higher education is among the first lines of defense of our country and is not simply another program of spending.

Expenditures and investments are vastly different. And I will give you an illustration this morning of one college. And since I am chairman of the board of directors of the Independent Colleges and Universities of Indiana, I think this illustration will be one that will apply to many of our members. Because of the lack of time, I will not take your time at this point to go into detail, but I have provided in written testimony an illustration with specific figures growing out of research that will be instructive. I only want to give the conclusions of that research.

First of all, Manchester is a college with modest fees. Our tuition and general fees totaled \$5,060 last year. One reason for that is because faculty and staff take lower salaries. And the first contribution to the education of our students is in the lower salaries which our people receive.

Now, there are records available which will attest to that fact as our salaries are compared with those of other institutions of higher education. But, in spite of these relatively low charges, 88 percent of our students required some type of financial aid last year. In addition to assistance from Federal and State governmental programs and funded scholarships from private sources, it was necessary for Manchester College to provide scholarships and grants in the amount of \$1,181,000. And since our endowment is not large, almost all of this money had to come from gifts and grants given to support education at our college.

The extraordinary demand on our budget for student aid had a severe impact on faculty and staff salaries, educational equipment support and plant maintenance. We are very sensitive to the Federal role in the student aid program for our students, and an illustration which I have written will show what the effect is of leveling off or the threat of cutbacks in funding at the Federal level.

But let me give the summary of that illustration. Freshmen who entered Manchester College in 1981 experienced a 41-percent increase in tuition and fee costs by the time they were seniors for reasons which have been explained by Dr. Schnabel and others. During this time, student assistance from all Federal grant, work and loan programs combined declined from an average of \$1,777 per student in 1981-82 to \$1,749 in 1984-85. And these figures are not adjusted for inflation.

However, during this 4-year period, average Manchester College aid per full-time equivalent student tripled increasing from \$404 to \$1,209. The college's ability to obtain gifts from private sources to meet student financial need has been stretched very close to the limit.

And when we are thinking of Federal support, I hope we do realize that it is a catalyst and that the private sector has had to come forth with vastly increased support to make it possible for colleges such as Manchester to serve the needs of students.

You have asked also that we make some suggestions and recommendations for improvements in the present legislation. May I simply mention a few.

Let me underline the fact that it is highly important that a consistent delivery system be carried out from one year to the next. If that does not happen for whatever good reason, you can, at that point, predict a decline in students entering colleges and universities the next fall. Now that can be demonstrated by the data which we have available. Therefore, it is very important that, in reauthorization, some plan be made to ensure that we can look ahead a year with some assurance of the type of funding that will be available so that students and their families are not left in a quandary.

The second thing is that forms should be simplified so that they are understandable to students and their families. This simplification should be consistent with the relevant information required for responsible decisions by administrators. It is my judgment that we can still improve on those forms.

The third thing is that our experience leads us to urge that student aid be more price sensitive. And information is available on some proposals, especially from the National Association of Independent Colleges and Universities, which are worthy of note.

The final thing is that Federal guaranteed student loans should be limited to the amount of need remaining after all grant, work, and loan benefits, combined with all parental/student contributions, are taken into account. And I would propose that the savings that are effected there then be used to make it possible for students who have need to have access and choice to the whole spectrum of higher education in our State.

Thank you very much.

[The prepared statement of Dr. Helman follows:]

Testimony
 at the Hearing of
 The Subcommittee on Education, Arts, and Humanities
 of the
 Senate Labor and Human Resources Committee
 before U.S. Senator Dan Quayle
 at
 South Bend, Indiana
 by
 President A. Blair Helman of
 Manchester College
 September 9, 1985

I am grateful for the opportunity to give testimony to your committee on the reauthorization of the Higher Education Act of 1965 as amended. This landmark legislation has had a significant impact on higher education in our country. The nation is stronger in human resources because of the involvement of the federal government as a partner in the development of the strongest program of higher education in the world and in providing access and choice to millions of students for the past two decades. At this critical juncture in our history reauthorization of this legislation is imperative.

My comments today grow out of my experience as president of Manchester College for the past 30 years. My illustrations of the benefits of the Higher Education Act are primarily from our situation at Manchester College but, as chairman of the Board of Directors of the Independent Colleges and Universities of Indiana, an organization of 30 independent institutions of higher education, I am aware that the illustrations from Manchester apply to our other member institutions and to similar colleges and universities throughout the nation.

I fully support the recommendations for reauthorization which have been presented by the Indiana Conference of Higher Education. As the president of a church-related liberal arts college of about 1,000 students, I am especially concerned about the structuring and funding of student aid programs. I am, therefore, presenting a summary of our experience at Manchester and some recommendations which I believe would improve the legislation and which are, in my judgment, in the public interest.

Manchester is a college which historically has had modest charges. Last year, our tuition and general fees totaled \$5,060. In spite of these relatively low charges for an independent college, 88 percent of our students required some type of financial aid. In addition to assistance from federal and state governmental programs and funded scholarships from private sources, it was necessary for the College to provide scholarships and grants in the amount of \$1,181,323. Since our endowment

Testimony, September 9, 1985

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is not large, most of this aid had to come from gifts and grants from private sources. This extraordinary demand on our budget for student aid had a severe impact on faculty and staff salaries, educational equipment and support, and plant maintenance.

Our experience with the cutback and leveling off of student assistance program and the threat of additional cuts by the federal government during the past several years has been dramatic and traumatic. Our enrollment had been increasing each year in the years just prior to the 1981-82 academic year. We felt the impact of decreased student financial assistance beginning in the fall of 1982. Enrollment fell from 1253 in the fall of 1980 to 1011 in 1982, a decrease of 19 percent in two years. Our first-time full-time freshmen enrollment went from 300 in 1981 to 221 in 1982, a decrease of 79 students or 26 percent. To keep our enrollment from dropping lower, we have had to allocate most of our annual contributions from private sources to the funding of student aid for students with financial need. We are convinced that we cannot continue this policy of resource allocation without severe damage to the quality of our educational program.

The figures below illustrate changes in tuition charges, financial aid sources and enrollment at Manchester College over the past four years, which is one student generation.

Academic Year	Total Enrollment	Tuition and Fees	Average Federal Aid* Per FTE Student	Average NDSL/GSL Loans per FTE Student	Average Manchester Aid per FTE Student
1981-82	1168	\$3,600	\$515	\$1,262	\$ 404
1982-83	1011	4,250	549	1,183	604
1983-84	1036	4,580	602	1,113	932
1984-85	1027	5,060	543	1,206	1,209

*Includes Pell, S.E.O.G., and Work-Study

Freshmen who entered Manchester College in 1981 experienced a 41 percent increase in tuition and fee costs by the time they were seniors. During this time, student assistance from all federal grant, work and loan programs combined declined from an average of \$1,777 per student in 1981-82 to \$1,749 in 1984-85. However, during this 4-year period, average Manchester College aid per full-time equivalent student tripled, increasing from \$404 to \$1,209. The College's ability to obtain gifts from private sources to meet student financial need has been stretched to the limit.

I believe it is important to our nation to preserve diversity in higher education. We have benefited enormously from a dual system of state and community institutions of higher education and independent colleges and universities. This system has increased access and preserved choice for students. Manchester College has been able to carry on its mission because our students have received assistance with their expenses from federal and state sources as well as from private sources. On the basis of our recent experience, however, we are interested in improving our present student assistance program as reauthorization of the Higher Education Act is undertaken.

There are several observations and recommendations which I urge you to consider as you work at reauthorization.

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1. It is highly important that a consistent delivery system be carried out from one year to the next. There is evidence that interruptions, delays, and last-minute decisions on student eligibility and the level of funding make it difficult for students to make informed decisions on their ability to attend the college which best meets their needs. Our experience underlines the importance of the recommendation of the Indiana Conference of Higher Education that "An annual and timely framework should be mandated for the final establishment of any regulatory changes affecting the administration and awarding of Title IV funds."
2. Forms should be simplified so that they are understandable to students and their families. This simplification should be consistent with the need to provide relevant information required to make responsible decisions by administrators. Eligibility for all federal student aid should be determined by the use of Uniform Methodology.
3. Our experience leads us to urge that student aid be made more price-sensitive. We view with alarm the widening tuition gap between the independent and public sectors of higher education (now 4.5 to 1). We are also concerned that more and more low income students are unable to attend the college of their choice. As more funds become available, I believe there would be merit in considering the proposal of the National Association of Independent Colleges and Universities. This proposal would insert tuition sensitivity into the basic grant formula and refocus funds on low-income students in both public and independent institutions. Specifically, an allowance of up to \$2,100 would be provided to meet half of tuition for all eligible students and an additional allowance of up to \$2,100 would be available for low-income students from families with incomes of up to 150 percent of the poverty index.
4. Federal guaranteed student loans should be limited to the amount of need remaining after all other grant, work, and loan benefits, combined with all parental/ student contributions, are taken into account. This would result in savings to the federal government which could be used to more adequately meet hard educational costs for needy students.

I am confident that improvements in higher education programs of the federal government will strengthen the partnership which has been formed with the states, the private sector, and colleges and universities over the past four decades. A reauthorized Higher Education Act which is sensitive to present realities and future needs will serve our nation well as we move toward the 21st century.

Respectfully submitted,


A. Blair Helman

Senator QUAYLE. Thank you very much, Dr. Blair Helman.

Dr. Robert E. Martin president of Independent Colleges and Universities of Indiana, Inc.

Mr. MARTIN. Thank you, Mr. Senator. I am watching my clock so I do not get a note from Betsy.

Senator QUAYLE. She is too.

Dr. MARTIN. Oh, she already has mine prepared.

I represent an association of 32 independent colleges and universities who enroll over 51,000 students, employ almost 10,000 people, and contribute almost \$1 billion annually to the economy of the State of Indiana each year. So we are a business that used to compare with International Harvester and Eli Lilly in terms of the employment and economic impact on the State. So we are an old line business. I was going to mention how old we were, but I should not have with President Summers of Vincennes University sitting over there. His history is always brought up when we meet like this.

Let me just say that I think, as a Senator from Indiana, you are aware, and I would just remind you, as everyone is saying in Indiana, and as President John E. Worthen, president of Ball State University, stated recently in a speech before the Indianapolis Rotary Club in Indianapolis, of the educational condition in Indiana, that of the number of high school graduates who go on to college in Indiana, there is 48 percent compared to a national average of 56 percent. In Indiana, only 12½ percent of our population have a full 4-year degree compared to 16.2 national. We are low in education in Indiana.

Now if we are to improve that at the same time that that pool of students out there is declining—and I must say to you I do not have financial figures—but it is evident that this fall enrollment in Indiana's independent colleges is going down. If we are to attract students and if we are to improve this participation rate, student aid is a vital thing, and Federal student aid is an essential ingredient in getting these people back into that mainstream.

I do not know whether you have been given totals but, since 1979, when total Pell grant funds started coming in Indiana, we received a total of \$324,903,347, of which \$209,718,648 went to students in public institutions and \$115,184,699 went to students attending independent institutions.

That is a substantial amount of money, and I would like to think that it is not a question are we going to continue it, but rather to think in terms of how to improve that. And I think you have before you a number of recommendations.

I am going to interject right now, because I may not get a chance to answer the question you asked, and I want to answer the question you asked, regarding access to choice and a cap.

I feel that such a cap certainly is going to limit access for students to come to an independent college, a choice. I said this before, and I am not so sure I should say it now, but I am going to. I am almost of the opinion we ought to put loan money up first and then determine how much grant money we get. My financial aid people out there will get me off in a corner after this, but it seems to me that if you put a cap on for grant and loan money, inevitably the public institutions who right now do not have a concern over that because it meets their need, as they pass that cap they are going to

be coming to you to have it increased. And we work together in Indiana to have a unified voice, and so we do not want something that is going to be proposed that is going to make us defensive and put us in a confrontation mode so that we have to take sides. Because the whole answer to all of this is the students out there who need aid. It is not us, not institutions. It is the student who needs the opportunity to go to college.

And so if we keep that in mind, I think we will talk about the students and what they need to get to a college.

By the Supreme Court ruling saying all that aid is directed to an institution, I disagree with that, because it does not come to us or anyone else until the students bring it. But I am just saying that I think to cap that, as Secretary Bennett proposed and so forth, I think we have real problems with that unless we define what that cap is and what it included and what is No. 1 in that cap.

I think I am going to quit because everything else that I was going to say has been said, and you do not need to hear it again.

[The prepared statement of Dr. Martin follows:]

TESTIMONY BY DR. ROBERT E. MARTIN, PRESIDENT
INDEPENDENT COLLEGES AND UNIVERSITIES OF INDIANA
Before the
SUBCOMMITTEE OF EDUCATION, ARTS AND HUMANITIES
OF THE UNITED STATES SENATE
COMMITTEE ON LABOR AND HUMAN RESOURCES

Monday, September 9, 1985
Continuing Education Center
University of Notre Dame
South Bend, Indiana

Mr. Chairman and Members of the Subcommittee:

I am Robert E. Martin, president of the Independent Colleges and Universities of Indiana, an association of thirty-two independent colleges and universities, who enroll over 51,000 students, employ almost 10,000 people and contribute almost 1 billion dollars annually to the economy of the State of Indiana. The oldest of our institutions dates to 1827 (Hanover College) with the youngest being Calumet College founded in 1951. These institutions have had a long history of offering quality education and training to the people of Indiana. They desire to continue to serve Indiana and the nation through their programs and graduates.

As Dr. John E. Worthen, President of Ball State University, stated recently in a speech before the Indianapolis Rotary Club, Indiana faces an under-educated population, which may threaten the state's ambitious economic development goals.

Only 48 percent, compared to 56% nationally, of Indiana's high school graduates pursue education beyond the high school. Only 12.5 percent of Indiana's population holds a four-year college degree compared to 16.2 percent nationally.

At the same time that Indiana educators are concerned with low college-going rates of Hoosier high school graduates, they are also faced with enrollment declines that are showing up in the 1985 fall enrollment figures. Student financial assistance will become even more important in the future if Indiana is to attract more students to attend the college or university of their choice.

Title IV Pell Grants of the Higher Education Act has become a vital ingredient in the financial aid packages of students attending Indiana's colleges. Since 1979, when the first Title IV funds arrived in Indiana, through 1984, a total of \$324,903,347 has been received of which \$209,718,648 went to students in public institutions and \$115,184,699 went to students attending independent institutions.

Surveys by NIICU show changes in the past five years have demonstrated the need to revise the Pell Grant program to make it more sensitive to the needs of low income students. Sixty-seven (67%) percent of the students receiving student aid to attend an independent college in 1979/80 received Pell Grants, while in 1983/84 only forty-four percent (44%) received Pell Grants. During this same period, the percentage of those requiring Guaranteed Student Loans rose from twenty-four percent (24%) to seventy-four percent (74%).* While debt is a legitimate part of a student's financial aid package, such high debt as is now being expected of low-income high-need students is certain to have a very "chilling" effect on attending college at all and especially on the choice of an independent institution where the loan does not complete the educational budget.

* Surveys by National Institute of Independent Colleges and Universities

The Independent Colleges and Universities of Indiana support the recommendations made in the report of the Indiana Conference of Higher Education submitted at the request of Senator Quayle. Of priority is the need to "tighten-up" the definition of an independent student as Indiana has already done, utilize one need analysis system for all federal programs, and restructure Pell Grants to meet the needs of the lowest-income highest-need students.

ICUI suggests that the Pell Grant program be funded at not less than the present level of appropriation of \$3.7 billion for the first year and that serious consideration be given to an annual adjustment for inflation of 4% in order that current services can be maintained at the present level.

Thank you for inviting me to appear on behalf of the independent colleges and universities, but more importantly on behalf of the students who do now and will in the future want to attend one of them. I am not a technician, as are those financial aid officers who do such an outstanding job in making these programs work for the benefit of students, but I will try to answer any questions that you may have.

Senator QUAYLE. All right. Fair enough.

I want the panel, if the might, to comment a bit on their thinking and what we ought to be doing to assist the nontraditional student. It really seems to be who we are really going back to.

The demographics show that 18.2 is short of dropping out; because the enrollment to get it back up is that nontraditional student. We are in a society where people are going to have two or three jobs in their lifetime, going to have to have training, education. How are the loan programs geared to the nontraditional student?

Mr. Lamkin, you sort of talked about some of the restrictions. Any comment on the nontraditional student? Mr. Lamkin, you want to go first on that?

Mr. LAMKIN. We call this nontraditional our new traditional.

Senator QUAYLE. New traditional. OK.

Mr. LAMKIN. The myth that part-time students are working, fully employed and do not have financial problems is not true today.

To overcome the problem, we have to look at the new traditional student. For example, the minority and the head of the household who might be working now but are excluded from the financial aid arena. What we are trying to do and illustrate is that we feel that the part-time student has to be considered to a greater extent. We are supporting our colleagues, the private institutions and public institutions who have primarily full-time students. However, both of us must have more flexibility in providing assistance for part-time students.

Dr. MARTIN. I would like to say that the independent college is not going to produce as many nontraditional students just by the very nature of our residential institutions. However, we support some form of support for nontraditional students. We hope it would be identified separately and apart from the present program so you do not water down the present program in order to take more people in.

We have had this situation in Indiana in our State program where the proprietary institution would like to be into our State Scholarship Program. Well, if they come in and add all the students with the same amount of money, that just penalizes the other students. And so if you do give serious consideration, we would support that, by the way.

How can we be good educators and not say we do not want to keep this continuous education pipeline open to people as they need it throughout their whole lifetime? But please consider as a separate kind of thing and build it into the program so that they can be identified and funded and not detract from the present programs.

Senator QUAYLE. OK.

Dr. Helman.

Dr. HELMAN. Yes. I would just like to say that it certainly is true that there are large numbers of nontraditional students in higher education. But let us be sure how we interpret that. That means head count. That does not mean full-time equivalent students.

Our nontraditional students at Manchester—and we did not have a lot because of vocations and the nature of the institution—we

find it easier to help them to meet the cost of a course or so than to meet the \$5,060 of the cost of those who are enrolled fulltime.

I think there are two different issues here. One is the support of the traditional students who are going to be moving on a track very shortly in the professional schools and serving the needs of society within 7 years or so. Now it is obvious that they need support and that this program has provided it.

By doing that, that does not mean that there is not need also for people on a different track. But to use one program designed for one purpose to serve another need may not in fact do it. And I would agree with Dr. Martin that we need to be very sensitive to this, and the Congress certainly needs to be sensitive. But we would hope that you would find a way of doing that that would be genuinely helpful to those students and society without undercutting those who are facing the very large amounts of indebtedness because of the amount of money they need to borrow over that 4-year period.

And I support what is in our document from the Indiana Conference on this point wholeheartedly. But I would like to make that caveat.

Dr. SUMMERS. We also want to recognize the length of eligibility of the adult student who is pursuing his education on a part-time basis. The part-time students are usually geographically bound. They have other responsibilities and it takes them longer to go through the system than traditional students.

Senator QUAYLE. OK. Very good. OK.

Gentlemen, thank you very much.

Next Mr. Russo, Mr. Franke and Mr. Schmucker.

[Short recess.]

STATEMENT OF JOSEPH A. RUSSO, DIRECTOR OF FINANCIAL AID, UNIVERSITY OF NOTRE DAME, NOTRE DAME, IN; MARK FRANKE, DIRECTOR OF FINANCIAL AID, INDIANA UNIVERSITY-PURDUE UNIVERSITY AT FORT WAYNE, AND PRESIDENT, INDIANA STUDENT FINANCIAL AID ASSOCIATION, FORT WAYNE, IN; AND WALTER SCHMUCKER, DIRECTOR OF STUDENT FINANCE, GOSHEN COLLEGE, GOSHEN, IN

Senator QUAYLE. OK. Mr. Russo, director of financial aid at the University of Notre Dame.

Mr. Russo. Thank you, Senator Quayle.

My name is Joseph Russo, and I have worked in the area of student financial aid in the public and private sector for over 20 years, and the last 7 of which have been as the director of the office of financial aid at the University of Notre Dame.

I might also add that I was one of the early recipients of title IV funds in the mid-1960's and most likely would not be here with you today except for the opportunity provided to me by these funds.

It was my pleasure this past spring to serve as chairman of the Indiana Conference of Higher Education Special Task Force on title IV of the Higher Education Act. A report, entitled "Recommendations for Reauthorization by the Indiana Conference of Higher Education," was submitted to Senator Dan Quayle's office on April 25, 1985. A summary of our particular task force was pre-

sented in that report and the further detailed analysis on which that summary was based is submitted as an addendum to this testimony.

My intention today is to highlight what I currently feel were the most critical of these earlier recommendations and to add a few personal thoughts on the general direction of student aid programs.

The context within which our recommendations were made was, and certainly still is, one of the serious fiscal constraint at the Federal level. We all share concern for the massive Federal deficit and the need to work toward cost containment. We therefore sought ways in which to improve the administration of Federal student aid programs so as to achieve savings within the current levels of funding, and then, in turn, to direct these savings to the increasing needs of those students whom these programs were originally intended to serve.

Without question, student financial aid has become big business, with millions of students annually seeking assistance totaling billions of dollars. The administration of these programs inevitably involved a myriad of forms, processes and regulations. The timely, clear and accurate information about student aid is at the forefront of concerns and is too often taken for granted by those responsible for implementing regulations. Public awareness is essential to the proper administration of student aid.

Also included in early stages of student aid delivery are application procedures, which combine simplicity of format with the sensitivity and comprehensiveness adequate to serve the needs of the applicants as well as those responsible for the ultimate decisions. We cannot permit the need for simplicity and efficiency to overshadow the equally important need for gathering data which is both verifiable and sufficient to make the best possible decisions.

Finally, what is likewise paramount in the entire delivery process is the family's awareness of its responsibility for both the long-term preparation for the finances of a college education, as well as its own primary role for paying for it. For the traditional college age going population, this includes both parental contribution to the extent it is able, as well as the students through various self-help efforts before, during and after receiving the education.

In order to ensure the integrity of the entire process, as well as that limited to student aid dollars are provided to the truly needy, all applicants for student aid should be required to have their applications verified prior to the actual receipt of funds. What remains to be decided is exactly which items on the application need to be verified, how, and by whom. In deciding the answers to these questions, perhaps we should ask another question. If an item is not critical enough to be verified, then why ask for it to begin with?

Again we recommend that all applicants for title IV funds should have their applications verified prior to disbursement.

Perhaps one of the most difficult aspects of dealing with student aid is the constantly changing rules and forms with which we have to deal. If the rules and forms do not change, there is always the threat of such change which too often confuses and discourages those involved in the process. It is our strong feeling that the present configuration of programs, with some relatively minor ad-

justments we have outlined, are not only workable but also providing major benefits to our society. Program stability is essential to proper planning and administration of student aid.

How then can these current programs within present funding levels produce increased benefits? It is our strong opinion that considerable savings can indeed be achieved by the tightening of certain definitions and procedures. By carrying out the recommendations we suggest, we cannot only add integrity to the program, but also produce significant savings which can be redirected to those students who are truly in need of them.

In making these suggestions, in many cases we believe, I might add, that we are simply carrying out what was originally intended by the legislation.

I have already made reference to one major cost savings suggestion, across-the-board verification of all title IV applicants. For the vast majority of applicants, this will include an official photostatic copy of the family's previous year's Federal income tax return. For all programs, this would be required prior to any disbursement of funds. We should not be dissuaded from this requirement by suggestions that to do so would delay the delivery process and leave families uncertain as to their aid decisions.

Decisions could be made without tax returns, but actual disbursements would not be made until the application data were verified. If all families were aware of this as an absolute requirement, I would predict that the initial data would become more and more similar to the actual tax data with only minimal adjustments necessary. Only those relatively few families with very unusual tax situations and, of course, those who did not report accurate data on the original application, would have their initial aid decisions subject to change.

I have also made earlier and strong reference to the importance of returning to the family its primary role for paying for the cost of an education. This can be achieved in a number of ways. One, the incorporating of a self-help component for all title IV grant recipients. In making this recommendation, we encourage the use of the SSACI model currently employed very successfully here in Indiana; two, the providing for tax incentives which would encourage families to save for their children's education through programs such as educational savings currently proposed by the Reagan administration; three, the tightening of the current Federal definition of what constitutes an independent self-supporting student.

We in Indiana, as in numerous other States, are not swayed by those who argue that undue hardships upon untold mass of numbers of young people would be created by the incorporation of an age cutoff. This simply has not been the case in Indiana or in the many other States which have established such criteria. An absolute minimum age criterion, except for orphans and wards of the court and sometimes other strictly defined situations such as veterans, graduate and married students and students with dependent children, would require parental data as an essential factor in determining program eligibility for the traditional college age going applicant.

In making this recommendation, we again are only suggesting that we have managed very well in Indiana, and others in other

States have already implemented very successfully for some time and, it should be noted, with the direct result of saving millions of dollars annually.

Each of these recommendations serve to return the family to its primary role, to return integrity to the programs we administer, to reestablish a sense of responsibility and purpose to the students and their families, and to achieve considerable savings within current funding levels which can be redirected to the truly needy.

Another area where savings can be achieved is the campus-based supplemental education opportunity program. The original intent of this program, known as the Educational Opportunity Program in the early years, was to provide this grant to those students of exceptional financial need who, but for this grant, would be unable to pursue a higher education. The program has been greatly altered, particularly in the 1980 amendments, so that it can currently be provided to any student showing need, regardless of family income or level of need. We recommend that meaning be returned to this program so that it can be directed to the truly most needy population it was originally intended to serve.

Finally, we feel there are several changes that can be made in the guaranteed student loan program which would result in ensuring that these funds are provided to only those in need of them and that would also, if implemented, achieve considerable savings to the Federal Government, savings which again within current funding levels would be redirected to provide support for the increasing needs of students who truly need them.

Specifically, in addition to the verification of applicant data mentioned above, we recommend the establishment of a needs test across the board for all GSL applicants, regardless of income level. Currently, students are allowed to borrow more than they may need simply because their family income is below \$30,000. This results in unnecessary student indebtedness and unnecessary increased costs to the Government.

Two, the requirements that lenders issue GSL checks in multiple disbursements and in a fashion copayable to students and the institution.

Three, that the special allowance paid to lenders be modestly reduced.

Four, that a needs test based, a loan consolidation option be reauthorized.

Fifth, that recent steps taken by the Federal Government to improve upon the collection of defaulted student loans, including the withholding of tax returns and contacting credit bureaus, be continued.

The incorporation of these recommended changes would achieve considerable savings, adding integrity to the programs, and results in additional funds which could be used to offset the increasing needs of our truly needy students.

On behalf of the University of Notre Dame, ICHE, and the many, many students which these programs have benefited, I wish to thank you for your support of student aid legislation in the past. I thank you also, Senator Quayle, for this opportunity to testify for your support of the reauthorization task force this past spring.

[The prepared statement of Mr. Russo follows:]

PREPARED STATEMENT BY JOSEPH A. RUSSO, DIRECTOR OF FINANCIAL AID, UNIVERSITY
OF NOTRE DAME

My name is Joseph Russo and I have worked in the area of student financial aid in the public and private sector for over 20 years, the last seven of which have been as the Director of the Office of Financial Aid at the University of Notre Dame. I might also add that I was one of the early recipients of Title IV funds in the mid-1960's and most likely would not be here with you today except for the opportunity provided to me by these funds. It was my pleasure this past Spring to serve as Chairman of the Indiana Conference of Higher Education special Task Force on Title IV of the Higher Education Act. A report entitled Recommendations for Reauthorization by the Indiana Conference of Higher Education was submitted to Senator Dan Quayle's office on April 23, 1985. A summary of our particular Task Force was presented in that report and a further detailed analysis on which that summary was based is submitted as an addendum to this testimony.

My intention today is to highlight what I currently feel were the most critical of these earlier recommendations and to add a few personal thoughts on the general direction of student aid programs.

The context within which our recommendations were made was, and certainly still is, one of serious fiscal constraint at the federal level. We all share concern for the massive federal deficit and the need to work toward cost containments. We therefore sought ways in which to improve the administration of federal student aid programs so as to achieve savings within the current levels of funding, and then in turn to direct these savings to the increasing needs of those students whom these programs were originally intended to serve.

Without question, student financial aid has become big business, with millions of students annually seeking assistance totalling billions of dollars. The administration of these programs inevitably involves a myriad of forms, processes and regulations. The timely, clear and accurate information about student aid is at the forefront of concerns and is too often taken for granted by those responsible for implementing regulations. Public awareness is essential to the proper administration of student aid. Also included in early stages of student aid delivery are application procedures which combine simplicity of format with a sensitivity and comprehensiveness adequate

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to serve the needs of the applicant as well as those responsible for the ultimate decisions. We cannot permit the need for simplicity and efficiency to overshadow the equally important need for gathering data which is both verifiable and sufficient to make the best possible decisions. Finally, what is likewise paramount in the entire delivery process is the family's awareness of its responsibility for both the long term preparation for the finances of a college education as well as its own primary role for paying for it. For the traditional college age going population, this includes both parental contribution to the extent it is able as well as the student's, through various self help efforts before, during, and after receiving the education.

In order to insure the integrity of the entire process as well as that limited student aid dollars are provided to the truly needy, all applicants for student aid should be required to have their applications verified prior to the actual receipt of funds. What remains to be decided is exactly which items on the application need to be verified, how and by whom. In deciding the answers to these questions, perhaps we should ask another question: if an item is not

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critical enough to be verified, then why ask for it to begin with? Again, we recommend that all applicants for all Title IV funds should have their applications verified prior to disbursement. (For the Guaranteed Student Loan program, this verification would take place prior to certification.)

Perhaps one of the most difficult aspects of dealing with student aid is the constantly changing rules and forms with which we have to deal. If the rules and forms don't change, there is always the threat of such change which too often confuses and discourages those involved in the process. It is our strong feeling that the present configuration of programs, with some relatively minor adjustments we have outlined, are not only workable but also providing major benefits to our society. Program stability is essential to proper planning and administration of student aid.

Now then, can these current programs, within present funding levels, produce increased benefits? It is our strong opinion that considerable savings can indeed be achieved by the tightening of certain definitions and procedures. By carrying out the recommendations we suggest, we can not only add integrity to the

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programs, but also produce significant savings which can be re-directed to those students who are truly in need of them. In making these suggestions, in many cases we believe, I might add, that we are simply carrying out what was originally intended by the legislation.

I have already made reference to one major cost savings suggestion: across the board verification of all Title IV applicants. For the vast majority of applicants this will include an official photostatic copy of the family's previous year's federal income tax return. For all programs, this would be required prior to any disbursement of funds. We should not be dissuaded from this requirement by suggestions that to do so would delay the delivery process and leave families uncertain as to their aid decisions. Decisions could be made without tax returns but actual disbursements would not be made until the application data were verified. If all families were made aware of this as an absolute requirement, I would predict that the initial data would become more and more similar to the actual tax data, with only minimal adjustments necessary. Only

those relatively few families with very unusual tax situations and, of course, those who did not report accurate data on the original application, would have their initial aid decisions subject to change.

I have also made earlier and strong reference to the importance of returning to the family its primary role for paying for the costs of an education. This can be achieved in a number of ways: 1) the incorporating of a self-help component for all Title IV grant recipients. In making this recommendation, we encourage the use of the SSACI model currently employed very successfully here in Indiana. 2) The providing for tax incentives which would encourage families to save for their children's education through programs such as Educational Savings Accounts (ESA's) currently proposed by the Reagan Administration. 3) The tightening of the current federal definition of what constitutes an independent/self supporting student. We in Indiana, as in numerous other states, are not awayed by those who argue that undue hardships upon untold massive numbers of young people would be created by the incorporation of an age cut-off. This simply has not been the case in Indiana or in the many other states which have established such criteria. An absolute minimum age

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criterion except for orphans and wards of the court and sometimes other strictly defined situations such as veterans, graduate and married students, and students with dependent children, would require parental data as an essential factor in determining program eligibility for the traditional college age going applicant. In making this recommendation, we again are only suggesting what we have managed very well in Indiana and others in other states have already implemented very successfully for some time - and, it should be noted, with the direct result of saving millions of dollars annually. Each of these recommendations serve to return the family to its primary role, to return integrity to the programs we administer, to re-establish a sense of responsibility and purpose to the students and their families, and to achieve considerable savings within current funding levels which can be re-directed to the truly needy.

Another area where savings can be achieved is the Campus Based Supplemental Educational Opportunity Program. The original intent of this program, known as the Educational Opportunity Program in the early years, was to provide this grant to those students of exceptional financial need who, but for this grant, would be unable to pursue a higher education. The program has been greatly altered, particularly in the 1980 Amendments, so that it can currently be

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provided to any student showing need, regardless of family income or level of need. We recommend that money be returned to this program so that it can be directed to the truly most needy population it was originally intended to serve.

Finally, we feel there are several changes that can be made in the Guaranteed Student Loan program which would result in insuring that these funds are provided to only those in need of them and that would also, if implemented, achieve considerable savings to the federal government - savings which again, within current funding levels, would be redirected to provide support for the increasing needs of students who truly need them. Specifically, in addition to the verification of applicant data mentioned above, we recommend: 1) the establishment of a needs test across the board for all GSL applicants, regardless of income level. Currently, students are allowed to borrow more than they may need simply because their family income is below \$30,000. This results in unnecessary student indebtedness and unnecessary increased costs to the government; 2) the requirement that lenders issue GSL checks in multiple disbursements and in a fashion co-payable to the student and the institution; 3) that the special allowances

paid to lenders be modestly reduced; 4) that a needs test based, loan consolidation option be reauthorized; 5) and finally, that recent steps taken by the federal government to improve upon the collection of defaulted student loans, including the withholding of tax returns and contacting credit bureaus, be continued. The incorporation of these recommended changes would achieve considerable savings, adding integrity to the programs, and result in additional funds which could be used to offset the increasing needs of our truly needy students.

On behalf of the University of Notre Dame, ICHE, and the many, many students which these programs have benefited, I wish to thank you for your support of student aid legislation in the past. I thank you also, Senator Quayle, for this opportunity to testify and for your support of the Reauthorization Task Force this past year. I stand ready to answer any further questions at this time as well as in the days ahead, as the Committee moves forward with this legislation so critical to our country.

Indiana Conference on Higher Education

Title IV Task Force

March 15, 1985

The Title IV Task Force of the ICHE Steering Committee on Reauthorization assembled a number of individuals from a representative group of institutions of higher education in Indiana to develop a position paper on the reauthorization of the Higher Education Act. The group met formally on a number of occasions in Indianapolis for very extensive and thorough discussions on what were considered to be the major issues of reauthorization to be addressed at this time. There were also many equally extensive hours spent by each of the Task Force's members in individual discussions and review. It is our hope that our efforts will prove helpful to those faced with the ultimate responsibility for resolving the many challenges to be addressed in re-authorizing this legislation which is so important to the future of our American society.

In preparing to address our part of this process, the Task Force decided that it would not be appropriate at this early stage of reauthorization to deal too specifically with every possible item in the law; but rather to outline some general thinking and direction in these introductory remarks which would be further supplemented by the somewhat more detailed explanations and recommendations in the "Issues and Concerns" commentary which is appended. We do not intend these remarks to be all inclusive and reserve the right to further clarify them as the reauthorization process unfolds in the months ahead. We hope that the thoughts presented at this time, however, will prove to be constructive in promoting further discussions and, perhaps eventually, more specific recommendations. We did not allow the current discussions surrounding the Administration's budget proposals to influence our discussions and recommendations.

Perhaps the most difficult problem which student aid administrators, students, and families face is the uncertainty which is created by constantly changing rules and regulations. There will always be a need for change; however, there is also an equally important need for stability. Proper planning by those responsible for administering student aid programs, requires early knowledge of the "what," "when," and "how."

The current configuration of programs, with some revisions as suggested, is working reasonably well. It is easy to cite problems and these indeed do exist and must be corrected. We hope our recommendations prove helpful in this regard.

It is easy to be distracted from the major benefits which have resulted to students, society, government, and institutions as a result of the federal support of student aid. These distractions include those loan defaults, program abuses, etc. which sell newspapers and anger all of us. These kinds of problems must indeed be addressed and reduced; but they are not representative nor are they so extensive that they require the elimination of an entire program. We need to find ways of better administering the programs as they are currently configured not only because we need stability but more especially because they do work.

How then can we do a better job? There are indeed some areas which need to be improved and in which we can achieve some savings. Where programs lack meaning and direction, we need to examine how this has occurred and find ways to bring them back to the goals upon which they were originally legislated. If some problems can be corrected by additional and more comprehensive efforts on our part, such as suggested by more complete verification procedures, then we need to do so. If considerable savings can be achieved by requiring a needs analysis for all applicants in the Guaranteed Student Loan program, then we need to do this.

However, in finding the right approach to these solutions, we must avoid the quick and simplistic approach suggested by the use of absolute income ceilings and other such concepts. We must weigh carefully the need to be efficient and consistent against the need to be fair and sensitive to the individual. We need to employ common sense and balance in all of our solutions.

Because of the very significant considerations involved in the issue of defining the independent student, special mention of it is made here and a very extensive analysis is provided by our Task Force in the appended paper. We agree, along with the vast majority of other aid administrators in the country, that this is indeed a very difficult issue but one upon which we can no longer afford to defer. It must be dealt with now. The definition must be one which is easily verifiable yet sensitive to the many non-traditional college age students now in postsecondary education. This issue must be addressed with the greater perspective which attempts to re-emphasize the primary role of the family in planning and providing for the financing of a child's educational costs.

There is a partnership approach needed as a basis for achieving our goals. This means that the parents are expected to contribute to the extent they are capable; it also assumes that the student will contribute toward these costs in some manner; and finally, the institutions, organizations, and governmental agencies can attempt to supplement the remaining needs. The best investment in our nation's future and security is a well educated society.

We are grateful for having been allowed this opportunity to offer our thoughts and suggestions. We trust they will at least be reviewed and hope that they may prove constructive in the reauthorization process. In some small way, perhaps we will have contributed as a partner in building a better tomorrow.

OUTLINE
 ISSUES AND CONCERNS
 TITLE IN TASK FORCE

1. Needs Analysis
 - a) single methodology
 - b) factors in methodology
 - c) self help
 - d) verification
 - e) student expense budgets
2. Delivery System
 - a) public awareness/information
 - b) educational savings accounts
 - c) application form
 - d) master calendar
3. Program Reform/Deregulation
 - a) consolidation of programs
 - b) block grants
 - c) allocation process/statutory formula
 - d) State Student Incentive Grants (SSIG)
 - e) audits
 - f) administrative cost allowance
 - g) standards of progress
4. Pell Grants
 - a) entitlement
 - b) thresholds
 - c) structures
 - d) formula
 - e) administration
5. Campus Based Programs
 - a) Supplemental Educational Opportunity Grants: Initial Year/Continuing Year
 - b) Supplemental Educational Opportunity Grants: Guidelines
 - c) National Direct Student Loans
 - d) College Work Study
6. Guaranteed Student Loans
 - a) needs analysis
 - b) loan limits
 - c) payment
 - d) origination fee
 - e) interest subsidies
 - f) special allowances
 - g) repayment consolidation/income contingency options
 - h) PLUS loans
7. Independent/Self-supporting Student Definition
8. Merit Scholarships
9. Graduate/Professional Students
10. Other Issues and Concerns
 - a) Trio programs

1. Needs Analysis

a) single methodology -

Should there be one formula for determining eligibility for all federal student aid?

Simplicity argues for one methodology.

vs. Need for a single national system/standard for measuring a family's ability to pay.

Specific program eligibility criteria for individual programs such as Pell or Guaranteed Student Loan (GSL) should not deter from primary purpose of measuring family ability.

Recommendation:

That Uniform Methodology (UM), as a self-regulatory and annually up-dated effort of the higher education community, continue to be the standard upon which the ability of a family to contribute is measured.

b) factors in methodology

Should the factors in determining a family's ability to pay in UM be written into statute?

Consistency of treatment argues for absolute and universally applied standards.

vs. The need for the use of discretion and common sense at the campus level for adjusting methodology results created by IRS provisions and/or less than comprehensive analysis of family's financial situation. There is an inverse relationship between the simplicity of a form and the sensitivity of the resultant analysis to a family's individual circumstances. A balance must be achieved. The development of a simple system is not an end in itself but merely a step toward the goal of attempting to get the right funds to the right students at the right time. The ability to deal with specific problems not addressed in a national standard is better handled by individual aid administrator discretion at the campus level rather than by statute.

Recommendation:

That the factors in determining a family's ability to pay continue to be the result of a cooperative effort of all those involved in the administration of student aid and that the National Student Aid Coalition model used previously continue to be the approach which annually reviews and determines this process.

c) Self-help

Should all student aid recipients be expected to contribute through self-help programs toward the expenses of obtaining a higher education?

Concern for levels of indebtedness and/or ability to handle/secure employment of some students.

vs. Several state agencies, including the State Student Assistance Commission of Indiana, have successfully and very effectively incorporated such a factor in administering their grant programs. There is merit in providing self-help opportunities and incentives to students as a means to assisting with the financing of their

educational expenses. These opportunities could be satisfied by work, borrowing, savings, and/or additional scholarships awarded because of special merit or circumstances.

Recommendation:

That all federal Title IV grant recipients be expected to contribute in some fashion toward the financing of their educations.

d) Verification

Should verification of student eligibility data for all federal aid programs be expected?

The administrative burden and possible delivery delays which will be placed upon those involved in the process.
 vs. The need to be fair and consistent in the treatment of all students and the need to direct limited student aid resources to those who are truly needy.
 Current image of student aid administration is affected by the perceived abuses. Abuses could be reduced and program integrity maintained through such verification.

Recommendation:

That all Title IV federal aid recipients be required to provide documentation of the key data used in determining their eligibility and that this data be verified prior to disbursement.

e) Should student expense budget parameters be mandated by statute?

Using federally legislated regulation for determining student expense budgets would insure that limited federal aid be distributed by universally applied standards.
 vs. Student expense budgets should be determined realistically so as to accurately reflect the total educational costs of students.
 The Pell program currently uses a student expense budget as a means of rationing limited funds. Some institutions and agencies use the same concept for the same reason.

Recommendation:

That financial aid administrators be allowed to determine student expense budgets using realistic cost of attendance figures which are unrelated to program funding levels.

2. Delivery System

a) Public awareness/information

Is there still a need for good, timely, accurate information about the financial aid process?

Federal support in this regard has achieved an increased level of awareness.

vs. There is still a significant amount of confusion and lack of information, particularly among disadvantaged groups. Federal training support has been drastically reduced in recent years but student aid associations have taken up some of the slack. All involved in the partnership approach to delivering student aid share in making the public aware not only of financial aid opportunities, but also, the need for early family financial planning for costs is still considered by many as our biggest challenge.

Recommendation:

That the federal government share in the responsibility of supporting efforts to provide public information about the student aid process and programs and also assist in helping families begin the financial planning for higher education costs at the earliest possible time.

b) Educational Savings Accounts (ESA's)

Should incentives be provided through programs such as Educational Savings Accounts which encourage families to begin early financial family planning for meeting postsecondary costs?

The need to emphasize the role of the family for early and continuing financial planning so as to more properly discharge its responsibilities for postsecondary education costs.

vs. The unwillingness of families to adjust their style of living, particularly for distant needs which may never materialize.

Families should continue to bear the primary responsibility for sharing in the costs of their child's education to the extent capable. There is a growing consensus among those involved with providing better information to families regarding financial aid that this effort also includes information about financial planning. The ESA concept would encourage this kind of planning.

Recommendation

That new incentives be provided, such as through Educational Savings Accounts, which encourage families to begin early financial planning for meeting postsecondary costs.

c) Application Form

Should one common form be used to determine eligibility for federal aid and should it be free to the filer?

The need for simplicity in encouraging students to "get into the process."

vs. The special requirements of some institutions and agencies for supplemental data in determining eligibility for limited funds.

The discussion here is not to be driven solely by philosophy or intent but also by practical implementation. Great strides have been made in simplifying the application process, particularly with the use of Multiple Data Entry (MDE) forms. A balance must be achieved between simplicity and the need to be sensitive to individual family circumstances.

The present compromise regarding the free form between the federal government and various agencies, institutions, and organizations involved in the processing of student aid is working reasonably well.

Recommendation:

That the current policy governing the use of the MDE forms be continued.

d) Master Calendar

Should a master calendar mandating a schedule for the major tasks and functions of the annual process of the delivery of student aid be legislated?

Too much federal involvement could further complicate an already inadequate process.

vs. The overwhelming need for a predictable, regular, and orderly process of providing financial aid to students.

The concept of a Congressionally specified master calendar for the student aid process clearly establishes a link between the process of aid administration and delivery and the policy objectives of the programs. Interruptions, delays, and last minute decisions affecting student eligibility and its delivery process clearly jeopardize the ability of millions of students and their families to obtain reliable and accurate information about student aid in time to affect decisions about college attendance and choice. The U.S. Commission on Student Aid has also promoted such a calendar.

Recommendation:

That an annual and timely framework be mandated for the final establishment of any regulatory changes affecting the administration and awarding of Title IV program funds.

3. Program Reform/Deregulation

a) Consolidation of programs

Should the present configuration of Title IV programs be consolidated into a simpler form?

Present structures of campus based vs. non-campus based administration create confusion and duplication of effort.

vs. The need both to maintain stability of programs as well as to provide some level of discretion and ability to be sensitive to the particular needs of individual situations.

Both the National Student Aid Coalition and the U.S. Commission on Student Aid endorse the campus based student aid concept and the granting of flexibility to student aid administrators. It is on the campus that need analysis must ultimately be carried out and aid packaged from a variety of sources to recognize the varied circumstances of individual students and families. While the appeal for simplicity and streamlining is attractive, it is also deceiving. Programs which have different objectives, or which serve different populations, may well not benefit from consolidation.

Recommendation:

That the present configuration of Title IV programs be maintained.

b) Block Grants

Should the present system of separating campus based Title IV funds be changed into an institutional block grant?

The institution is in the best position to know the needs of its individual students and should be allowed total flexibility in deciding the nature of the assistance which students should receive.

vs. The need for some basic guidelines to insure some measure of consistency in administering Title IV programs as well as some measure of structure and responsibility at the campus level. Some of the same discussion in 3a applies to this issue.

There is a need to provide balanced funding support for grant programs (SSIG, SEDG and Pell) and self-help programs (CWS, NDSL, GSL, and PLUS). Institutions already enjoy a reasonable level of flexibility in transferring funds among campus based programs. This can be maintained without eliminating the individual program distinctions.

Recommendation:

That the present system of distinguishing and administering campus based Title IV programs be maintained.

c) Allocation process/statutory formula

Should the formulas currently used to allocate campus based Title IV funds be changed?

There is a long over-due need to update the process by which the needs of schools within the present process are determined.

vs. The serious concern about the potential massive disruption of dollars which could occur if a new formula were devised.

If the actual data to be used in a revised formula were known, simulations could be run to better determine the consequences.

Recommendation:

That further study be done on this issue so as to create a better basis for assuring that any changes in the formula not result in sudden and/or precipitous dislocation of funds. The study should include not only current factors in formula but also subsequent allocation practices of the Education Department.

d) State Student Incentive Grants (SSIG)

Should SSIG funding be continued?

This program has served as the initiative and foundation for many states' involvement in scholarship and grant programs.

vs. The program has served its purpose and is no longer needed.

Every state now has an enhanced program because of SSIG. In some cases, it is not significant but in others it is.

Recommendation:

That the ESIC program be continued.

e) Audits

Should the generally accepted accounting principle of materiality be applied in the audit procedures required in the administration of Title IV funds?

The statute makes no mention of specific audit procedures or standards for Title IV funds. Therefore, auditors currently must cite and hold institutions responsible for every error, regardless of significance, in their reports.

vs. The generally acceptable accounting practice of materiality provides allowance for reasonable levels of tolerance. Some similar level of tolerance should be permitted in the administration of Title IV funds.

Recommendation:

That the generally accepted accounting principle of materiality be applied in the audit compliance procedures of Title IV funds. There was not full consensus on this recommendation as the Chairman, although in agreement in principle, questioned the timing of such a suggestion.

f) Administrative Cost Allowances

Should there be an increase in the amount of cost allowances provided for the administration of Title IV funds?

Cost of doing business has increased.

vs. Increasing cost allowances at this time could come at the expense of funds available for student awards.

Many schools use the administrative allowance to assist students because of less than adequate funding of Title IV funds.

Recommendation:

That if appropriations are available, consideration should be given to increasing allowances provided for administering Title IV programs.

g) Standards of Progress (SAP)

Should satisfactory academic progress standards be applied to periods of enrollment during which the student does not receive federal student aid?

Department of Education interpretations of intent of the statute applies SAP standards to all prior enrollment whether or not federal aid had been received by the applicant.

vs. The student should not be required to meet federal SAP standards

until federal aid is received. Students not receiving aid may not know of such standards. Strict application of this interpretation could make it nearly impossible for denied students to earn back their eligibility.

Recommendation:

That the current statutory language be clarified so as to restrict SAP standards only to enrollment periods in which students are federal aid recipients.

4. Pell Grants

a) Entitlement

Should the original entitlement nature of the Pell program be re-established?

Reductions in federal appropriations of this program have been driven by the federal government's growing concern to remove the absolute/guarantee/entitlement philosophy for spending levels by which it may not wish to be bound.

vs. The need to provide some level of assurance that deserving and needy students receive the full amount for which they are eligible.

Recommendation:

That the Pell Grant was conceived as an entitlement program and should be implemented as such at the earliest possible time.

b) Thresholds

Should the half-cost compromise reached in the 1980 Amendments be maintained?

There is a need to protect the appropriation levels of the campus based programs to insure some level of equity and stability in the allocation of Title IV funds.

vs. The complications created by the statute that ties the Pell Grant maximum award each fiscal year to funding for the SEOG, CWS, and NDSL programs.

If there were any logic whatsoever involved in achieving the extremely delicate compromises reached in the 1980 Amendments, then this statute was written on a sound basis. The need to incorporate a self help component, the need to spread limited federal grant assistance as fairly as possible, and the concern for even higher levels of indebtedness for some students, also are factors.

Recommendation:

That the threshold concept be maintained as written in the 1980 Amendments.

c) Structure

Should some level of structure regarding the number of eligibility years be returned to the Pell Program?

Program abuses are possible because of lack of any structure on this point.
 vs. The return of the administrative burden involved in tracking this issue.

The incorporation of standards of progress and good standing have helped to control this problem. However, it is not unreasonable to require some ultimate cut-off of eligibility for this kind of assistance nor do the new standards always address the issue of the transfer student or the student who continually changes curriculum. If funding levels for this program need to be increased, the removal of opportunities from the system for abuse (such as allowed by no ultimate eligibility standard) could help direct these limited funds more effectively.

Recommendation:

The Task Force was unable to reach consensus on this issue; opinion was almost evenly split along public/private sectors, with the former arguing that there were already adequate safeguards and the latter that there was still significant potential for abuse.

d) Pell Formula

Should the federal formula determining Pell Grant eligibility be maintained separately from the Uniform Methodology used to determine eligibility for other Title IV funds?

There is a need to simplify and be consistent in determining an applicant's eligibility for Title IV funds.
 vs. The different nature and objectives of each of the Title IV programs.
 Limited appropriation levels for Pell have come to dictate a rationing formula for that program. True measure of a family's ability to pay should not be so affected.

See discussions in 1a and 1b.

Recommendation:

That a separate formula be maintained to determine a student's eligibility for the Pell program.

e) Administration

Should Pell Grants be administered at the campus level?

There is a need to have eligibility for this program determined by universally applied standards.
 vs. Campus administration would provide both for the saving of substantial processing costs as well as for the use of financial aid administrator's discretion needed to adjust for unusual circumstances.

The costs of administering this grant through a central processor has cost the government millions of dollars annually, including very significant cost over-runs. The cost to the student and institutions created by processing delays are also significant. As long as there are auditable guidelines for the campus administrator's use of discretion, program abuse should be reasonably controlled and could even be improved.

Recommendation:

That authorization for decentralized, campus administration of the Pell Grant program be provided.

5. Campus Based Programs

a) Initial and Continuing Year Supplemental Educational Opportunity Grant

Should separate IV/CY SEOG appropriations be discontinued?
Early program restrictions requiring separate campus administration of these programs were eliminated several years ago.
vs. The possibility of losing some SEOG funding by tampering with traditional appropriation structure.

The separate accounting of these programs on campus serves no sound administrative purpose but does create additional and costly burdens to proper administration of SEOG.

Recommendation:

That the distinction in IV/CY SEOG funding be eliminated.

b) Supplemental Educational Opportunity Grant (SEOG) Guidelines

Should SEOG assistance be limited to those undergraduate students who demonstrate exceptional financial need.

Limited federal grant funds should be used to aid students with the greatest financial need.
vs. Any additional restrictions on a program result in additional administrative burdens for the aid officer.

The SEOG program was originally intended to assist students who but for this grant would be unable to enroll. Several amendments to the original legislation have left the program without a true direction. Every federal program needs to have meaning, particularly if it's in the form of grant assistance.

Recommendation:

That guidelines for the SEOG program be re-defined to direct this assistance to those students with exceptional financial need.

c) National Direct Student Loan (NDSL)

Should the NDSL program be continued?

Traditionally there has been a need to use this loan resource for certain disadvantaged applicants whose access to other student loans could be limited.
vs. The current availability of GSL assistance virtually in every state in the country.

The lower interest rate may still be used as an argument in assisting disadvantaged groups, but inability to secure participating GSL lenders is no longer as valid. However, some students need to borrow from both loan programs in order to meet need. Having a reduced interest rate also reflects the concern for NDSL borrowers who, because of additional GSL borrowing, must face much larger levels of indebtedness.

Recommendation:

That the NDSL program be continued under its current provisions.

4) College Work Study (CWS)

Should the funding of CWS and Cooperative Education program be combined?

Both programs serve to provide job experience for students and these have over-lapping purposes.
vs. The primary purpose of each program is different and thus the separate programs should be maintained.

The CWS program is primarily one intended to provide needy students with assistance in meeting their school related expenses. It does also provide as a secondary benefit, valuable work experience, sometimes career related, to students.

The Co-op program is not need based and is intended to provide career related experience. Merging the funding authority could divert aid from needy students as well as run the risk of diffusing CWS appropriations.

Recommendation:

That separate program funding of CWS and Cooperative Education be maintained.

6. Guaranteed Student Loans

a) Needs Analysis

Should GSL borrowing be limited to demonstrated financial need?

Assuming full need for under \$30,000 family income applicants reduces administrative burdens for campus administrators and the majority of such applicants generally show need.
vs. The need to have a consistently applied needs test for all GSL applicants.

Significant unnecessary borrowing by students occurs when full need is automatically assumed for any applicant. This kind of borrowing adds unnecessarily both to eventual student indebtedness and to the cost of interest subsidies and special allowances of the government. The consistent application of needs tests for all applicants would not add that much of an administrative burden and will provide the same measure of fair treatment to all.

Recommendation:

That GSL borrowing for all borrowers at all income levels be limited to the amount of demonstrated financial need using the methods currently in place.

b) Loan limits

Should annual and aggregate GSL loan limits be increased?

The amount of student borrowing is a serious concern because of the long term consequences for borrowers as well as the increased risk of defaults.

vs. There has been no change in these levels for several years while college costs have increased.

Modest increases in annual and aggregate borrowing would assist needy students in meeting the higher costs of college. Research by National Council of Higher Education Loan Programs (NCHLP) does not support the suggestion that heavier borrowing increases defaults.

Recommendation:

That consideration be given to providing for increases in current GSL annual and aggregate loan limits and that this kind of adjustment be reviewed periodically to accommodate increasing costs associated with college attendance.

c) Payment

Should the law require that GSL checks be made co-payable to the institution and the borrower and that GSL disbursements be made in multiple payments?

The current provision recommends that lenders and/or agencies advise institutions of loan approval and that GSL's be paid in multiple disbursements, and the majority do follow these suggestions.

vs. The fact that there are some GSL applicants whose borrower status is never known to institutions and/or who are able to use the proceeds of the GSL for other than meeting their direct educational expenses. Some lenders also refuse to make multiple disbursements.

The inclusion of this provision would not create any excessive administrative burden and would serve to provide the institutions with needed information regarding student borrowing as well as reasonable safeguards insuring proper use of GSL.

Recommendation:

That GSL checks be made co-payable to the student borrower and the institution and that lenders be required to disburse these checks in multiple payments.

d) Origination Fee

Should the GSL origination fee be continued?

The loan origination fee was implemented as an interim measure to reduce federal costs during periods of high interest rates and inflation.
vs. The use of this fee may contribute to the reduction of unnecessary borrowing by some students.

The absence of this fee could result in the withdrawal of some lenders from the program or, if picked up again by the government, come at the expense of already inadequate grant funds.

Recommendation:

That the loan origination fee be continued given the probable alternatives.

e) Interest subsidies

Should the federal subsidies supporting the GSL program be continued?

The reduction of this subsidy would result in reduced lender participation in the GSL program. It would also increase the cost of borrowing to students and possibly result in increased defaults.
vs. This indirect way of assuring student access to borrowing opportunities provides large amounts of needed assistance at relatively modest costs to the government.

Recommendation:

That the current manner of providing GSL interest subsidies be continued.

f) Special Allowances

Should the current special allowance provision paid to lenders be reduced?

Lenders would be reluctant to participate if the amount of this allowance were reduced.
vs. Even a small reduction would result in very significant savings to the federal government without causing massive lender withdrawal.

Recommendation:

That consideration be given for adjusting the special allowances to lenders to a reduced yet still reasonable level of support.

g) Repayment Consolidation/Income Contingency Options

Should loan consolidation options be made available to students for varied income sensitive repayment schedules?

The law which provided this option worked well and provided many benefits as long as it existed.
 vs. Is such an option really necessary?

Allowing this option reduces default possibilities for many who could not otherwise maintain adequate payments.

Recommendation:

That a needs test determined loan consolidation option be re-authorized and that other eligible organizations in addition to SALLIE MAE be authorized to participate.

h) PLUS loans

Should the PLUS program provisions be expanded?

The program is able to provide needed borrowing opportunities for families who do not meet current GSL needs test provisions.
 vs. The additional debt burden consequences to families.
 The PLUS program limits borrowers to \$3,000 annually for each student. The program could be made more attractive to lenders by increasing loan limits, authorizing both secondary markets and loan consolidation capabilities, and prohibiting parents and students from using bankruptcy to set aside their loan obligations.

Recommendation:

That the PLUS program be enhanced to provide additional borrowing opportunity for families not eligible for adequate support through other programs.

7. Independent/Self-Supporting Studenta) Definition

Does the definition of the independent/self-supporting student need to be made stricter?
 There is currently significant abuse as a result of the current definition at great expense to the government as well as to more historically needy students.
 vs. Requiring additional documentation and/or age criterion will create difficult administrative burdens and arbitrarily disallow some truly independent students.

In its earliest days, student aid at the federal level was intended to assist a student from an historically needy family. The current definition allows families to artificially orchestrate maximum federal aid eligibility by a few simple maneuvers.

California, New York, Pennsylvania, Indiana, and other states have saved their tax payers millions of dollars by incorporating stricter provisions. Ironically, many students who cannot meet these stricter state guidelines continue to receive federal aid as independent students.

Adding one additional year to the guidelines is a step in the right direction but hardly establishes the truly historical basis of judgement upon which these decisions were originally intended. The incorporation of an age cut-off with provision for dealing with orphans or other unusual cases, has worked in many states. The requirement that a student prove self-support for at least the previous year has also worked in at least one major state agency and is common practice on some campuses.

This is a major area of concern which, until corrected, not only drains money from the truly needy, but tends to reduce the integrity of what these programs are supposed to be all about. The primary role of family for traditional college-age going students needs to be re-emphasized.

The addition of an age criterion will simplify the definition while increasing verification and reinforcing the assumption of parental responsibility at least through the traditional ages of undergraduate education. After age 22, it may be more appropriate to look only at the previous calendar year's residency, support, and tax status of a student and allow an applicant to satisfy a certain number of several criteria.

Recommendation:

That all Title IV federal aid applicants below age 22 (except for orphans and wards of the court) be classified as dependent on their parents and that at age 22 a different test be applied which would include reasonable tests related to previous year's self-sufficiency, current year marital status, veteran's status, graduate status and whether the student has any dependents.

8. Merit Scholarships/Categorical Incentives

a) Merit Aid

Should the federal government provide support for scholarships on the basis of merit?

The current regulations governing Title IV funds use financial need as the primary factor for establishing eligibility, vs. The use of federal aid to assist students who do not demonstrate the need for it could possibly come at the expense of need based aid.

This issue is made more volatile by the false assumption that financial need criteria exclude all academically gifted students. It is also made difficult by arguments such as the country needs to encourage and support its future leaders.

There is some concern that such direct federal support would come at the expense of other student aid. However, it would not come at such expense yet would still provide indirect federal support if private sources such as industry and foundations were encouraged, perhaps through tax incentives, to provide funds for such a venture. Indeed, spokesmen for the Department of Education have suggested such a federal role.

Recommendation:

That the federal government continue to provide, through its current charitable tax deductions structure, support of private foundations which award merit based scholarships. However, the federal government should continue its role in providing support for need based programs.

9. Graduate/Professional Students

a) Pell/Supplemental Educational Opportunity Grant (SEOG)

Should Pell and SEOG award eligibility be extended to graduate and professional school students?

Of graduate/professional school costs have increased dramatically and financial aid opportunities, particularly for low income disadvantaged students, are limited.

vs. The current appropriations for Pell/SEOG are insufficient for current undergraduate needs.

The inclusion of a whole new category of students, many of whom will apply as independent students, will create a severe impact on the already insufficient support for undergraduates being provided through these programs.

Recommendation:

That the current provisions restricting Pell/SEOG awards to undergraduates be extended.

10. Other Issues and Concerns

a) Trio Programs

Should the authorization of TRIO programs be extended?

Trio programs have provided significant forms of remedial education and encouragement to disadvantaged high school students who might not otherwise consider further education.

vs. There is no longer a need for such programs.

The continued under-enrollment of disadvantaged populations in higher education, as well as the widespread lack of good, timely, and accurate information about college opportunities, seem to underlie the continued need for such programs.

Recommendation:

That the authorization of Title IV Trio programs be extended as a means for providing special support to disadvantaged populations.

Senator QUAYLE. Thank you very much, Mr. Russo.

Mr. Franke.

Mr. FRANKE. Thank you, Senator Quayle. It is indeed an honor to testify today.

I was privileged to serve with these two other colleagues on the title IV task force at the Indiana Conference, and I support the recommendations that have been made to you in the report from that conference. I think they represent a sound basis to the problem and the opportunities that are facing higher education today.

Also I am privileged to serve as president of the Indiana Student Financial Aid Association, and I can report to you that the recommendations represent broad consensus of the profession within Indiana.

There are three items that I would like to amplify today, if I may. The first one has to do with the definition of the independent student.

Mr. Russo has talked about that, and I would like to add the emphasis from an institution that has over 40 percent of its students above the age of 25, and about half of its title IV recipients currently meeting the independent student definition. It is a difficult problem.

Some recommendations to solve it are trying to establish an arbitrary age cutoff that would simplify the definition. Others try to make the definition more complex by adding more variables to it. And I think our recommendation is somewhat of a hybrid of these two.

The important thing we have to understand and decide up front is whether we are interested in the student's independent status as it may or may not be. I would simply try to decide if the student is in fact independent, or do we have a different idea, and that is in fact to determine whether the student ought to be independent based on the typical family situation. And I think we are moving toward that latter approach.

The current definition is subject to manipulation by a very small number of students because it is difficult to document. And so the age driven test would seem to be more appropriate. However, that does open up some problems for those students who unwillingly have been forced to become self-sufficient, some of them as early as their high school years. I think the evidence is that is happening more and more often today.

What I would recommend is that if we adopt an age limit, say of 22, that there be some predefined areas of discretion where students who have been forced to become independent not be penalized and precluded from applying for Federal assistance, and to perhaps set an upper age cutoff to prove independence after they reach the age of say 25 or so.

The second thing I would like to comment on briefly, because it has been mentioned before, and that is the calendar that is sensitive to the delivery system.

The past 2 years we have been fortunate in that the forms have been out early enough for completion to get that done beginning about Thanksgiving, which was when we would like to start. However, the thing that right now I think is presenting the greatest problem to the delivery calendar is the verification process. Simply,

the Department of Education does not release its final policies and procedures for verification until late in the spring, long after we have already gone out and advised students what to prepare for. Quite often, it means we have to change our procedures and it delays the process, and that delay is a hardship for us certainly, but primarily it is a hardship for the students. They do not get their awards on time. And if they cannot get their awards on time, it would seem to me the system has failed.

I would recommend that the Department of Education be instructed to have their verification requirements published and finalized at the same time that the application forms are finalized.

Finally, I would like to address the issue of the balance between the sufficiency of the data and the ease of application. It seems every time we talk about simplifying the application process, it is harder for students and parents. For instance, what used to be a two-page financial aid form was shortened some years ago to a four-page financial aid form with increased duplication of data requests and decreased regulations of data elements.

Senator QUAYLE. Sounds like the Tax Code.

Mr. FRANKE. I am not asked to testify on the Tax Code.

The 1985-86 SAF expects a typical dependent applicant and his parent to provide 162 different responses of which 67 were considered part of the core Federal application. I have attached some documents to my testimony that shows what we have to do to verify this information.

But I would like to indicate the Department of Education has instructed us to verify 50 percent of the cases. However, we found that for dependent students we have to verify 88 percent of our applicants. This leads to some questions. Is all this data truly necessary to determine eligibility? If it is, why do we not collect it up front rather than having an additional application process?

And, second, why do we have a needs analysis system that in advance expects one-half of its applicants to make significant errors in reporting data?

What I would recommend is that we collect only those data elements that statistically demonstrated impact on the aggregate and that verification of those applicants and data elements that give evidence of error to a significant degree.

Thank you, Senator Quayle, for this opportunity.

[The prepared statement of Mr. Franke follows:]

STATEMENT PRESENTED BEFORE THE
SENATE SUBCOMMITTEE ON EDUCATION, ARTS, AND HUMANITIES

PRESENTED BY
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SEPTEMBER 9, 1985

Mr. Chairman, Members of the Subcommittee, It is indeed an honor to be invited to appear before you today and present testimony regarding reauthorization of the Higher Education Act.

I was privileged to serve as a member of the Title IV Task Force of the Indiana Conference of Higher Education this past winter. I support the recommendations made by the Conference in its report to Senator Quayle. The recommendations represent, in my opinion, a sound and responsible approach to the problems and opportunities facing federal student assistance in the next five years.

As president of the Indiana Student Financial Aid Association (ISFAA), I can report to you that the Conference's recommendations reflect the consensus of the profession in Indiana. The sometimes competing interests of public vs. private, large vs. small, traditional vs. non-traditional were refreshingly absent from the task force's deliberation. The concept of partnership, a partnership between families, institutions and the federal government, was the unifying factor, and the recommendations are made in that context.

There are three items that I would like to emphasize to the Subcommittee today. They are: the issue of the self-supporting student, the need for a delivery-sensitive calendar for Title IV aid, and the balance between the sufficiency of data and the ease of application.

The self-supporting student issue

I must preface my remarks on this issue by stating that I come from an institution with a large number of non-traditional students. Approximately 40% of the student body at Indiana University-Purdue University at Fort Wayne (IPFW) is over the age of 25. Slightly in excess of one half of our federal aid recipients meet the current definition of an independent student.

The national debate over the proper definition of an independent student has produced a number of proposals. Some suggest a longer base period² to establish independence. Others opt for a simpler rule, usually anchored on an arbitrary age cutoff. The Indiana Conference recommendation is a hybrid of these two approaches.

But there is a tension evident in all this. Is the test for financial self-sufficiency meant to determine whether financial independence does in fact exist or whether it should exist? Are we still interested in a "snapshot" approach, one which accepts the applicant as he or she is at the present, or do we want a methodology driven by a public policy value judgement of what the student/parent relationship ought to be. I sense that the latter, more normative, approach is now predominant.

The current test for independence is prone to subjectivity and manipulation by a small number of especially resourceful students. With the exception of the federal tax return, it is nearly impossible

to document the relationship between students and parents. But an age driven test has its problems as well. It does not allow for students who have been unwillingly disenfranchised from their families and left to fend for themselves. The sad truth is that this is happening more often today, even during the high school years. Since these students have lost all contact with their parents, an arbitrary age test would preclude them from applying for federal assistance.

There is no simple solution to this problem. The fact remains that more adult students are returning to college, many of them in difficult financial situations due to job loss, divorce or other such circumstance. Whatever test is used should accept these students as independent, as any rational person would.

I would concur in the recommendation of the Indiana Conference for Higher Education for a self-supporting test based on a minimum age of 22, with a recognition of exceptional circumstances.

I would further recommend that students of 25 and above be determined as independent on the basis of their age alone. Finally, I would recommend that students between 22 and 25 be classified according to easily verified data elements, such as marital status, dependent children, prior year's income, etc.

The need for a delivery sensitive calendar

This is no new issue. In the past the stress point has been approval of the application documents by the Department of Education in a timely manner. Fortunately, there were no delays for the 1985-86 form and the 1986-87 form also appears to be on schedule. Since ISFAA begins its student/parent workshops on applying for financial aid immediately after Thanksgiving, it is very important that the forms be available by mid-November.

What worries me now is the effect that the verification process is having on delivery. Institutions typically begin their verification process by February 1. Planning for this process must take place the previous fall. Informational brochures must be prepared to advise students of what their obligations are, workshops are conducted in the high schools, and administrative procedures, both automated and manual, are put in place for verifying student reported data. Department of Education decisions to alter validation requirements late that spring can bring the whole process to a halt. Once the new procedures are understood by the aid administrators, then students must be recontacted to provide additional verifying information. These delays ultimately mean that students will not receive awards on time. In other words, the delivery system has failed.

Let me illustrate using the 1985-86 Pell validation process. IPFW is not unique in preparing students in advance for validation by requiring student and parent tax returns from all eligible applicants. We do not always know which students are selected for validation by the Department until the student submits his or her Student Aid Report, which may be mid-April at the earliest or, more frequently, late summer. We were alerted on April 22 by a Department Dear Colleague letter that major changes were being made in the validation requirements. That letter promised the complete Validation Handbook would reach us yet that spring. We opted to wait for the Handbook, which outlines the mandatory procedures to follow, before going back to students for the additional required documentation. Unfortunately, the Handbook did not reach us until July 3. We had to resort to manual processing even though we are an automated shop because the Pell Tape Exchange failed to adequately report validation requirements for individual student records. Needless to say, even though IPFW is now in its third week of classes, approximately 45% of our Pell recipients have not yet received their awards for this semester.

I recommend that the Department release all data collection and verification requirements at the same time the application forms are approved for printing.

Balance between sufficiency of data and ease of application

For some inexplicable reason, the more we talk about simplifying the application process for students and parents, the harder it seems to get for them. What used to be a two page Financial Aid Form (FAF) was "shortened" to a four page FAF with increased duplication of data requests and decreased integration of data elements. And a needs analysis methodology linked to the Federal adjusted gross income figure for simplicity increasingly questions the value of that figure and demands modifications in growing number. The 1985-86 FAF expects typical dependent applicants and their parents to provide 162 different responses, of which 67 were considered part of the core federal application. I conduct about 20 FAF workshops in high schools each winter, and I find it ever more difficult to explain the process and form.

But worst of all, the validation/verification process has grown to the point of requiring proof of accuracy from half of the filers and for all but a few of the significant data elements. In fact, while the Department states that it will select 50% of eligible Pell applicants for validation, I have found that 55% of IPFW's independent eligible applicants and fully 86% of our dependent eligible applicants have been selected for validation by the Department. For the Subcommittee's information, I have attached to my testimony the Department's suggested validation forms. These will give a feeling for the complexity and magnitude

of the validation effort as it affects both institutions and families.

In spite of this, the Department of Education has a much publicized proposal to simplify data collection to six key elements. Not publicized is the fact that one of the six elements requires five different questions on the application, and one those five requires an additional 15 items on a verification worksheet.

The basic question is this: If all this data is truly necessary to adequately determine eligibility, then why not collect it on the original application? And once it is collected, why ask the family to provide the same data again? Why build a needs analysis system that expects one half of its applicants to have made significant errors in reporting data? Eligible applicants are faced with substantially making a second application after the first demonstrated eligibility for the program. One cannot discount the element of discouragement that the application and verification process introduces to prospective students, especially those from low income families.

I would recommend that the application collect only those data elements that have a statistically demonstrated impact on the aggregate distribution of federal dollars and that the verification process be limited to those applicants and those data elements that give evidence of error to a significant degree.

I would like to thank you again, Mr. Chairman, for this opportunity to testify before the Subcommittee. I would be happy to answer any questions at this time.

VALIDATION DOCUMENTS

YOU MUST SUBMIT THE DOCUMENTS CHECKED BELOW BEFORE YOU CAN RECEIVE A PELL GRANT:

- _____ 1. A signed copy of the 1984 U.S. Income Tax Return (Form 1040, 1040A, or 1040EZ) filed by--
 - _____ Yourself (and your spouse)
 - _____ Your parents
- _____ 2. The attached statement that no 1984 U.S. Income Tax Return was/will be filed signed by--
 - _____ Yourself (and your spouse)
 - _____ Your parents
- _____ 3. The attached statement listing the names of those currently in the household of and signed by --
 - _____ Yourself (and your spouse)
 - _____ Your parents
 - _____ And the ages and names and addresses of the post-secondary schools any of these persons are attending/planning to attend at least half-time
- _____ 4. A statement from the Social Security Administration showing the total amount of Social Security received in 1984 by--
 - _____ Yourself (and your spouse)
 - _____ Your parents
- _____ 5. The attached Worksheet A signed by and showing the 1984 untaxed income and benefits received by--
 - _____ Yourself (and your spouse)
 - _____ Your parents
- _____ 6. The attached Worksheet B signed by you (and your spouse) and showing your's (and your spouse's) 1984 untaxed income and benefits.
- _____ 7. A copy of your 1985-86 Veterans Educational Benefits award letter from the Veterans Administration Office or a statement from the school VA office showing--
 - o The amount to be received each month based on your family size from September 1, 1985 through May 31, 1986, and
 - o The number of months during that time you will receive these benefits.
- _____ 8. The attached statement signed by your parents answering whether they did/will give you more than \$750 in support and whether you did/will live with them for more than 42 days in--
 - _____ 1984
 - _____ 1984 and 1985

1984 NON-TAX FILER STATEMENT

NAME _____

SOCIAL SECURITY NUMBER _____

I (we) have not filed and will not file a 1984 U.S. Income Tax Return Form 1040, 1040A, or 1040EZ. ALL the information on the Student Aid Report which will be used to calculate my (spouse's/son's/daughter's) Pell Grant award is complete and correct.

Sources of income earned for
work stated on the application:

Amount of income
from each source:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Signatures

APPLICANT _____ FATHER _____

DATE _____ DATE _____

SPOUSE _____ MOTHER _____

DATE _____ DATE _____

1984 NON-TAX FILER STATEMENT

NAME _____

SOCIAL SECURITY NUMBER _____

I (we) have not filed and will not file a 1984 U.S. Income Tax Return Form 1040, 1040A, or 1040EZ. ALL the information on the Student Aid Report which will be used to calculate my (spouse's/son's/daughter's) Pell Grant award is complete and correct.

Signatures

APPLICANT _____ FATHER _____

DATE _____ DATE _____

SPOUSE _____ MOTHER _____

DATE _____ DATE _____

WORKSHEET A

1984 UNPAID INCOME AND BENEFITS STATEMENT

NAME _____

SOCIAL SECURITY NUMBER _____

FILL IN THE AMOUNTS RECEIVED IN 1984:

• Child support received	\$ _____
• Welfare benefits (except AFDC or ADC)	+ _____
• Unpaid portions of unemployment compensation	+ _____
• Unpaid portions of Railroad Retirement Benefits	+ _____
• Workmen's Compensation	+ _____
• Job Training Partnership Act non-educational benefits	+ _____
• Veterans benefit's except educational benefits include Death Pension, Dependency and Indemnity Compensation (DIC) and VA Vocational Rehabilitation Program benefits	+ _____
• Interest on tax-free bonds	+ _____
• IRS dividend exclusion from IRS Form 1040-line 30 or 1040B-line 8	+ _____
• Unpaid portions of pensions	+ _____
• Unpaid portions of capital gains	+ _____
• Dividend reinvestment exclusion from Form 1040, Schedule B, line 8	+ _____
• Foreign income exclusion from IRS Form 2555-line 29	+ _____
• Housing, food, and other living allowances for military, clergy, and others (include cash payment and cash value of benefits)	+ _____
• Any other unpaid income and benefits such as Black Lung Benefits, excess earned income credit, etc.	+ _____
TOTAL	= \$ _____

Don't include:

- Social Security
- Money from student financial aid programs (educational loans, work-study earnings, grants, or scholarships)
- Veterans benefits for education (GI Bill, Dependents Educational Assistance Program, or VA Counterloans Benefits)
- Gifts and support, other than money, received from friends or relatives
- Food stamps
- Tax-sheltered or deferred annuities or "roll-over" pensions

Signatures

APPLICANT _____	WITNES _____
DATE _____	DATE _____
SPOUSE _____	ADDRESS _____
DATE _____	DATE _____

WORKSHEET BDEPENDENT STUDENT (AND SPOUSE) 1984 OMITTED
INCOME AND BENEFITS STATEMENT

NAME _____
 SOCIAL SECURITY NUMBER _____

FILL IN THE AMOUNTS YOU AND YOUR SPOUSE RECEIVED IN 1984:

- o Deduction for a married couple when both work \$ _____
 - o Omitted portions of Social Security benefits except educational benefits (include Supplemental Security Income or disability benefits, etc.) * _____
 - o Child support received for the student's children * _____
 - o Aid to Families with Dependent Children (AFDC or AEC) * _____
 - o Welfare benefits * _____
 - o Omitted portions of unemployment compensation * _____
 - o Omitted portions of Railroad Retirement Benefits * _____
 - o Workmen's Compensation * _____
 - o Veteran's benefits except educational benefits (Include Death Pension, Dependency and Indemnity Compensation (DIC), and VA Vocational Rehabilitation Program benefits.) * _____
 - o Job Training Partnership Act non-educational benefits * _____
 - o Any other untaxed income and benefits * _____
- TOTAL = \$ _____

Don't include:

- Social Security benefits your parents received for you
- Social Security educational benefits (benefits you get only because you are a college student)
- Money from student financial aid programs (educational loans, work-study earnings, grants, or scholarships)

Signatures

APPLICANT _____
 DATE _____
 SPOUSE _____
 DATE _____

PARENTS OF INDEPENDENT STUDENT STATEMENT

NAME _____

SOCIAL SECURITY NUMBER _____

ANSWER THE FOLLOWING QUESTIONS:

	<u>In 1984</u>	<u>In 1985</u>
o Did you or will you give more than \$750 worth of support to your son/daughter?	<u>YES</u> <u>NO</u>	<u>YES</u> <u>NO</u>

	<u>In 1984</u>	<u>In 1985</u>
o Did or will your son/daughter live with you for more than 42 days?	<u>YES</u> <u>NO</u>	<u>YES</u> <u>NO</u>

Signatures

FATHER _____

DATE _____

MOTHER _____

DATE _____

Senator QUAYLE. Thank you, Mr. Franke.

Next Mr. Walter Schmucker.

Mr. SCHMUCKER. Thank you, Senator Quayle.

My name is Walter Schmucker. I have been the director of student finance at Goshen College since 1965, the year when the first Higher Education Act was signed into law. It is a pleasure and an honor for me, as an administrator of financial aid, to appear before you today to present some of my views on several issues related to the reauthorization of the Higher Education Act.

Having served on the Indiana Conference of Higher Education Task Force, which prepared recommendations for reauthorizing title IV programs, I commend that report to you. I support most of the recommendations as they are outlined in that report, and urge the committee to include those recommendations in the reauthorization of the title IV Student Financial Aid Program.

Several issues are of particular interest and importance to me, and I want to focus on those for my testimony today.

One, as has been mentioned several times already today, is the master calendar. During the early years of the Higher Education Act, funding for the various student financial aid program was appropriated in the same year that it was expended. Congress saw fit to change that procedure because institutions learned too late in the year how many dollars would be available for distribution to their students. Instead, Congress initiated the principle of forward funding in the appropriation cycle.

Just as important as the funding process is the need for institutions to know early in the processing year any regulatory changes which affect the administration of financial aid to students. A well planned master calendar, as promoted by the U.S. Commission on Student Aid, would, if established by statute, allow for better planning, provide for better and more accurate information dissemination to parents and students, and improve the overall administration of financial aid funds.

I encourage legislation to establish education savings accounts as proposed by the Reagan administration. The present need analysis process for establishing demonstrated financial needs incorporates a disincentive for saving for college. That is, if a student saves funds in his or her own name for college, those savings are taxed at a much higher rate when determining the family's ability to pay and if savings were owned by the parents.

Nevertheless, the Nation's tax laws currently encourage families to establish investments in a child's name through the Gift to Minors Act, which reduces the tax liability on the parent who is normally in a higher tax bracket. To limit the amount of future increases in Federal outlays for financial aid, procedures should be enacted to establish education savings accounts similar to the present individual retirement accounts, which would encourage families to set aside funds for the education of their children. These accounts should be established with provisions that will allow the savings to be a part of students self-help expectation in paying for their education. Thus, the incentive to save will not be nullified by a high taxing rate when establishing eligibility for various gift aid programs.

The procedures which the State Student Assistance Commission of Indiana uses to establish eligibility for Indiana grant programs could serve as a model for determining Federal grant aid eligibility without penalizing the family for saving toward the student's educational expenses.

Several other issues, in my judgment, are very important and should be addressed in the reauthorization process. These are:

One, loan consolidation. Provisions must be made for allowing students to consolidate their education loans during the repayment term. These loans include the national direct, guaranteed student loans, Federal nursing student loan, et cetera. Only with such a provision can many students avoid defaulting because of the heavy indebtedness in multiple loan programs.

Two, training of financial aid administrators. Student financial aid is an extremely complex and constantly changing profession. The size of Federal outlays for student aid is substantial. It would seem advisable that those persons assigned to administer Federal programs on the campuses be given adequate information and training to administer the programs accurately and fairly. And, yet, the Department of Education has all but eliminated funds for this purpose and, instead, tends to hold the big stick of program reviews and audits over the head of financial aid administrators and educational institutions.

I believe the use of funds for training and better information dissemination would serve the Department and the American citizens more effectively.

Three, independent student. Much has been said regarding the need for a clear definition of an independent student. I believe this issue should be addressed in the reauthorization process, and I recommend that the definition, as established by the State Student Assistance Commission of Indiana, be used as a model for the Federal programs.

I appreciate the opportunity to comment today and appreciate the support that many students have already received through the Federal programs and hope that they will continue and be improved.

Senator QUAYLE. OK, gentlemen. Thank you very much for very fine and specific testimony.

We are going to have to move on because of the time constraints. I have to get back to a vote yet. And so I thank you very much. And I will now call on our fourth panel.

Mr. Bill DuBois.

STATEMENTS OF BILL DuBOIS, EXECUTIVE DIRECTOR, INDIANA STATE STUDENT ASSISTANCE COMMISSION, INDIANAPOLIS, IN, ACCOMPANIED BY DENNIS OBERGFELL, DIRECTOR; FRANK CAMMARATA, VICE PRESIDENT, BANK OF INDIANA, MERRILLVILLE, IN; AND FRED W. DRAPER, DIRECTOR, EDUCATIONAL OPPORTUNITY PROGRAMS, INDIANA STATE UNIVERSITY, TERRE HAUTE, IN

Mr. DuBois. Thank you, Senator.

I know that everybody is claiming a connection to you today. I want you to know I am the only one here that could have claimed to worked for your father while you were still in school.

Senator QUAYLE. That is right.

Mr. DuBois. In the interest of your time, I am going to skip through the prepared testimony that we have supplied to you and just stress three or four things that relate to the Guaranteed Student Loan Program.

The State Student Assistance Commission is the State guarantee agency in Indiana for the GSL and PLUS loan programs. We guaranteed our first GSL in May 1978. From then until June 30, 1985, we have guaranteed a total of more than \$708 million in loans to more than 190,000 students.

There are about three or four things that all have been mentioned to this point that I would like to restress, and these are things which we believe have kept the default rate in the Indiana program at what it is estimated for this year at about 3 percent. The first is multiple disbursements.

A number of people have referred to the use of multiple disbursements. We would recommend to the Congress essentially several disbursements through the school year to help ensure that students use the dollars that they have been loaned for tuition and fees, which is what the Higher Education Act originally intended.

Copayable checks, second point; 374 out of 476 lenders in the State program currently make checks copayable to schools as well as the student. And to date we have fielded no serious objections from any of the educational institutions in regards to having to handle copayable checks.

Finally, we would encourage the Senator's consideration, the committee's consideration, of cosigners. We recommend cosigners and we think that is probably one of the good reasons that our default rate is so low. So you may want to consider that possibility.

And, finally, I would add that we would support the Indiana Conference on Higher Education, the recommendations that all GSL loans be need tested regardless of income, and that the face amount of GSL loans be limited actually up to the limit.

Thank you, Senator.

[The prepared statement of Mr. DuBois follows:]

TESTIMONY BY WILLIAM DU BOIS JR.
EXECUTIVE DIRECTOR, STATE STUDENT ASSISTANCE COMMISSION OF INDIANA
Before The
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
OF THE U.S. SENATE
COMMITTEE ON LABOR AND HUMAN RESOURCES
Monday, September 9, 1985
Continuing Education Center, University of Notre Dame
South Bend, Indiana

Mr. Chairman and Members of the Subcommittee--

My name is William Du Bois Jr., and I am here in my role as Executive Director of the State Student Assistance Commission of Indiana (SSACI).

With me today is Mr. Dennis Obergfell, Director of SSACI's Loan Division, which functions as the state guarantee agency for the GSL and PLUS Loan programs authorized by Title IV of the Higher Education Act.

Since your time is limited, I won't waste it with a lot of preliminary information. Instead, let me go immediately to the two programs in which SSACI has a direct relationship with programs authorized by the Higher Education Act. We operate five other programs which are entirely state-funded.

One of the programs which involves a federal-state partnership is our need-based state grant program. For the academic year just beginning, the General Assembly at the urging of Governor Robert D. Orr allocated \$26.1 million in state funds, a 15 per cent increase over 1984-85.

Our total grant program, with the addition of about \$1.52 million in Title IV State Student Incentive Grant funds, is about \$27.6 million for 1985-86. SSIG funds make up about 5.5% of that total.

Put another way, the availability of the SSIG funds influences our awards only slightly. If we could ignore the special requirements on the use of SSIG money and assume that it was used for all students, the loss of SSIG funds would mean that our average grant to public university students would have been \$761 instead of \$805 and our average grant to students at independent, non-state-supported schools would have been \$1,832 instead of \$1,939.

Emphatically, I am not saying that SSACI recommends that you eliminate the SSIG grant. These funds do enhance our awards program and increase the likelihood that the amount of a grant might induce applicants to turn the corner in their individual decisions about whether or not to attend college.

Viewed from the larger perspective of the total federal-state-institutional student financial assistance system, however, the SSIG funds are not integral or crucial to Indiana's grant program.

We will have a significant grant program, with or without SSIG funds, because our governor and the General Assembly are committed to programs to increase the educational attainments of Hoosiers. In fact, the Governor and the General Assembly have authorized an expenditure of \$30 million in the 1986-87 academic year. This figure does not include SSIG funds which might be available. Thus, the state appropriation will increase another 15 per cent on top of the 15 per cent increase this year. Those substantial increases demonstrate the kind of

commitment to access to higher education which Indiana state government has made and is making.

By far the most significant Higher Education Act partnership between SSACI and the federal government is our role as the state guarantee agency for the federal student loan programs.

These programs--GSL and PLUS--are a tremendously important source of funds for students and parents searching for ways to finance costly post-secondary educational programs.

SSACI guaranteed its first GSL in May of 1978. From then until June 30, 1985, the agency has guaranteed a total of more than \$708 million in loans to more than 190,000 students.

Our agency operates these loan programs with income from two primary sources:

- 1) The 1% insurance premium collected on each loan which SSACI guarantees.
- 2) The administrative cost allowance (ACA) provided until recently by the U.S. Department of Education.

Let me interject here the fact that we are disappointed by Secretary Bennett's decision to withhold ACA this year. And we are amazed that he adamantly adheres to that position even after the Congress, in a recent supplemental appropriations bill, specifically provided funds to pay ACA for the current federal fiscal year.

SSACI has been a good steward. We have a no-frills operation. We concentrate on the role granted to us by the Higher Education Act--providing access to higher education through successfully operated loan programs.

The Secretary's decision to withhold ACA won't cause our program to fold this year or next. However, we rely on ACA to fund our student loan operations. If this arbitrary policy is continued for any length of time, it will sap our strength and undermine our ability to sustain a program which has operated frugally and in the public interest.

Let me now turn to ways in which the Congress can achieve savings in the student loan program.

SSACI has always encouraged Indiana lenders to make multiple disbursements, checks payable to both the student and the school, and has for years recommended that lenders mail loan checks directly to the educational institution. We feel these practices have helped keep Indiana's default rate within reason. In fact, our default rate had steadily declined over the last four years to about 3%. We strongly urge the Federal Government to adopt these policies as part of the program's reauthorization.

Multiple disbursements, we feel, help students to better budget their student loan dollars inasmuch as each disbursement is usually used for direct educational expenses, such as tuition and fees, as the Higher Education Act intended. Certainly, multiple disbursements help the student incur less debt. In turn, this ultimately decreases interest benefits which the Federal Government has to pay to lenders. For example, in the case of a student who elects not to attend second semester, fewer dollars will be initially disbursed.

I would add that a decrease in indebtedness results in lower default claim payments to lending institutions.

~~Copayable checks sent to the educational institution helps to ensure that borrowers use their GSL proceeds for educationally related expenses and prevents disbursements to students who never enroll. Currently, 374 out of 476 lenders in the State of Indiana make their checks payable to the student and the school. To date, we have fielded no serious objections from any of Indiana's educational institutions in regard to having to handle copayable checks.~~

One of the reasons our default rate is so low is that we encourage co-signers. This is a possibility you may wish to consider.

I would like to highlight a few other recommendations in which SSACI concurs, which have been made by the Indiana Conference of Higher Education's Task Force on Reauthorization and by the National Council of Higher Education Loan Programs.

- 1) On all new loans, authorize guarantee agencies to raise the interest rate, in the event of a default, to the maximum rate permitted by state law.
- 2) Enact Federal legislation to override existing state and local laws which prevent guarantee agencies from garnishing GSL defaulter earnings and permit use of garnishment to collect defaulted loans. Indiana has the ability to do this.

- 3) Establish a statute of limitations of at least six years on defaulted student loans in Federal law. (Indiana's is six years.) States with longer statutes of limitation would not be affected.
- 4) Require lenders or subsequent holders of student loans, to submit names, addresses, social security numbers and loan amounts of GSL, PLUS, and unsubsidized loans to credit reporting bureaus at the time of disbursement.
- 5) We also suggest that states be permitted to return all federal advances to the Federal Government within a reasonable time frame based on an independent determination of the overall financial condition of the agency's loan guarantee program.
- 6) We also support the recommendation of the Indiana Conference on Higher Education that all GSL loans be need-tested, regardless of income, and that the face amounts of GSL loans be limited to actual need or the \$2,500 annual limit, whichever is less.

We thank you for the opportunity to present these views. With Mr. Obergfell's assistance, I will be happy to respond to any questions you might have.

Senator QUAYLE. Thank you very much, Bill.

Next Mr. Frank Cammarata.

Mr. CAMMARATA. Senator, thank you for allowing me to testify this morning. I have been editing my presentation this morning since 9 o'clock. I will do it even further. I will paraphrase everything I have to say here.

And I will say that I am Frank Cammarata from the Bank of Indiana, and we are representing the Consumer Bankers Association, representing in a sense the lending community.

I would like to say, concerning the reauthorization process, that it is the consideration for special allowance, also the multiple disbursement.

The special allowance is very important to lenders in order to obtain an equitable return under investment. And I think what we have today is an equitable investment. For lenders to stay in the program, they do not need reduction to that. I am afraid it will hurt the smaller banks if there is reduction to that. And reducing the special allowance will definitely allow many small banks to drop out of the program.

Indiana does indeed have many small banks. The reduction of special allowance would probably not affect the large banks in the country, but definitely it will have an impact on the small banks. In a sense, we are supporting the special allowance to remain as it is for the upcoming reauthorization for GSL's.

On the other hand, on the multiple disbursement, the CBA has endorsed the multiple disbursement. The only thing we are asking on the multiple disbursement is that, once enacted, ample time be given to lenders to adjust their methods of operation. And we recommend perhaps a 180 days from implementation.

We would like to offer a few other suggestions that would help the reduction of costs. And some of those things would be that we also encourage the extension of a grace period. Currently the extension period is 6 months. We would recommend 9 months. We feel that the first 6 months the student does not do anything but look for a job. In this 6-month period, we feel the student has found a job and needs a couple months to arrange his repayment schedule and, therefore, make repayments. I think by allowing that longer period, the default rate would decrease.

We are also requesting lenders to be required to submit the information to credit bureaus. That is by providing the information to credit bureaus, we, as lenders, will know the actual indebtedness of the student, therefore perhaps denying additional credit, you know, for consumer status like cars, furniture, or vacations, or whatever the case may be.

We also would like to have the availability, either to the guaranty agency or lenders, more data for the revenue service, the social security, et cetera, so we could, as lenders, skip tracing and things like that.

Also we would like to recommend the reestablishing of the consolidation loan program. We feel that many students come out from their 4-year educational program with many types of loans requiring anywhere between four to six different payments per month, therefore diluting any amount of money that they may have for any other things. Consolidation is a very common practice.

We do offer consolidation loans to any citizens that would like to have them. If they may have six different creditors, we consolidate those into one, therefore giving them ample cash to meet those payments, extending a timetable and producing payment, therefore minimizing any default concept. We feel that has the same bearing as to the loans by combining all the student loans in one and making those loan payments less each month. Those possibilities I think will encourage students to make their payments, have excess cash and go on their way.

So, in a nutshell, those are the things that the Consumer Bankers Association would recommend. We at the Bank of Indiana support those wholeheartedly.

Thank you, Senator. I wish I had a little more time.

[The prepared statement of Mr. Cammarata follows:]

STATEMENT OF
FRANK CAMMARATA
VICE PRESIDENT
BANK OF INDIANA, N.A.

BEFORE THE

SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
OF THE COMMITTEE ON LABOR AND HUMAN RESOURCES
U.S. SENATE

SENATOR ROBERT T. STAFFORD, CHAIRMAN

SOUTH BEND, INDIANA
SEPTEMBER 9, 1985



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Mr. Chairman and Members of the Subcommittee. Thank you for the opportunity to testify today on the future of the Guaranteed Student Loan program on behalf of the Consumer Bankers Association (CBA) /1 and my institution. I am Frank Cammarata, Vice President of Bank of Indiana, N.A., in *Merri/ville*

Although my testimony today reflects the views of the Consumer Bankers Association, I would like to briefly describe my institution to you. Bank of Indiana is the 12th largest lender in the Guaranteed Student Loan program in the state of Indiana. We began making Guaranteed Student Loans in 1967.

In total, our bank has committed over \$20 million of our resources to making GSLs. Of this amount, approximately 80% percent will be lent to students in the state of Indiana. The students served under our program include students attending every category of postsecondary institution. Our average loan size is approximately \$1700 and our small loan policy is generally \$500. The average loan indebtedness of our borrowers at the time of graduation is about \$4200.

1/ The Association is a nonprofit organization that was organized in 1919 to provide a voice for the retail banking industry. Today, membership in the Association is open to any federally insured depository institution, including commercial banks, thrifts, and credit unions. Associate members include bank card processors and service provider organizations. Combined, the members of the Association now hold over 70% of all consumer credit outstanding held by commercial banks and over 80% of the consumer deposit accounts held by commercial banks.

In recent months, the Administration has put forward a series of legislative proposals designed to reduce the costs of the GSL program. We support efforts to reduce the budget deficit. The specific legislative proposals put forward by the Administration, however, fundamentally alter the nature of the program by eliminating incentives for many lenders to invest their depositors' capital in GSLs.

On behalf of CBA, I would like to focus briefly on two of the proposals that most directly affect lenders. The first relates to the special allowance paid by the federal government on GSLs. The second concerns the issue of multiple disbursement of loans.

It should be noted that these two issues are closely related since the federal subsidies which support the Guaranteed Student Loan program operate to offset the expenses associated with making loan capital available. In turn, one of the most significant expenses involved in making GSLs is the loan origination process. Requiring the multiple disbursement of loans, therefore, effectively reduces the subsidy in the program. A table summarizing the combined effects on lender yield of these and other legislative and regulatory proposals is attached for your reference.

SUBSIDIES

In approaching the issue of subsidies, it is important to note that the federal subsidy paid on GSLs is an

essential part of the program. Without these subsidies, lenders could not make capital available to student borrowers at the favorable rates of interest authorized for GSLs. Thus, the primary beneficiary of the subsidies in the GSL program is the student. The in-school interest subsidy and the special allowance both correspond to interest which the borrower would otherwise be required to pay in order to find a lender willing to make a GSL.

In recent months, the Administration has challenged the basic assumption that the existing subsidies in the GSL program correspond to the costs incurred by lenders in making loan capital available to students. They have suggested that the total return to lenders on GSLs exceeds the amount necessary to encourage them to participate in the program. They have taken the position that the special allowance can be reduced by as much as 2.0 percent during the in-school period and 1.5 percent during repayment without jeopardizing the availability of loan capital to students.

Consumer bankers in the GSL program are perplexed by the notion that the return to lenders is "excessive." In fact, many small lenders in the GSL program are making only a marginal return on GSLs and remain in the program largely as a special service to communities in which they are located. For small lenders, the GSL loan origination and servicing processes are particularly complex and costly.

As an objective matter, lender profit in the GSL program is best measured by comparing the return lenders

make on GSLs with the other investments which they make. The "return on assets" is the measure which is generally used by most financial institutions for the purposes of comparing loan products. Under existing law -- with the special allowance rate set at Treasury bill plus 3.5 percent -- the return on GSLs is roughly equal to that produced by other consumer loan products.

A survey of 175 financial institutions with assets of between one and three billion dollars indicates that the typical return on assets for consumer lending, GSLs and PLUS loans was .75 percent over the past few years. Because of significantly less favorable economies of scale, the return on assets at smaller financial institutions is between .3 and .6 percent on GSLs. As a small institution with a relatively modest investment in GSLs, we find that our experience would fall within this range.

A cut in the present level of federal involvement will constitute a disincentive for banks to undertake the costly and arduous task of building the type of efficient, high-volume, computer-driven student loan programs that facilitate participation. It will especially handicap smaller institutions like ours in which administrative capabilities and loan volumes simply cannot support or justify investment in such technical developments. At stake is the ready access to student loan funds which the present level of federal subsidies has helped to insure.

I have no doubt that a reduction in the special allowance will lead to many lenders dropping out of the

program, or in reducing the amount of capital they invest in it. They will invest in other, more profitable consumer loan products and pursue less administratively burdensome opportunities. The losers will be the students. It is important to note that under the current program, one is hard pressed to identify a single area of the country where access to student loans is a problem. This is due to the fact that the existing program makes participation for lenders -- even the smallest lenders -- feasible.

The implications for Indiana should be readily apparent. Indiana's GSL lenders tend to be the smaller community banks. Like many other states, Indiana is experiencing a transition from a manufacturing and agricultural base to a service-based economy where some form of postsecondary education is almost mandatory. The dislocations in the farming sector need no elaboration. Many low-to-moderate-income families are situated throughout the state's urban areas as well. Each of these factors underscores the importance to Indiana of the present GSL program. We strongly urge the Subcommittee to resist efforts to reduce the special allowance and thereby limit access to educational funds.

So, as I see it, as the Congress faces the issue of subsidies in the Guaranteed Student Loan program, three choices are before you:

- 1) Cut the special allowance, thereby reducing the return to lenders, without raising the interest rate paid by the students. This option, I assure you, results in

lenders dropping out of the program in direct ratio to depth of the special allowance cut adopted.

2) Cut or reduce the in-school interest subsidy by raising the student's interest rate, or cut the special allowance and increase the student's interest rate, to maintain the return to lenders while reducing the federal cost of the program. Any changes which increase loan costs to the student may lead to financial and educational results which may be adverse to the student and the GSL program.

3) Maintain the current structure of the program, including the subsidies on loans. This option represents the road taken since 1979. Since that year, student access to loan capital has increased, almost on an annual basis, to the point where we are close to being able to say that every eligible student can be assured of finding a lender. CBA respectfully submits that this alternative best serves federal postsecondary education policy.

MULTIPLE DISBURSEMENT

CBA has endorsed multiple disbursement as a rational, effective means of reducing losses in the program resulting from students who enroll in college, collect their GSL, but then drop out. Under multiple disbursement, in a semester system, such a student who qualified for a full \$2500 GSL, would receive only \$1250 with a resulting savings to the federal government. In a trimester or quarterly system,

the student would receive a third or quarter of the total amount at the start of each term.

Our concerns about multiple disbursement result from the fact that it is not being considered on Capitol Hill as a single administrative improvement in the program, but rather as part of a comprehensive package of measures designed to reduce the return to lenders on the program. Multiple disbursement is costly to lenders because a number of the administrative steps necessary to originate a loan must be repeated. Verifying the enrollment status of the student and issuing and mailing at least one additional check are two examples. It is estimated that these additional requirements will increase administrative costs by approximately .20 percent.

CBA has endorsed multiple disbursement as part of its reauthorization recommendations submitted to the House Subcommittee on Postsecondary Education on April 30th. We, therefore, urge the Subcommittee to carefully consider enacting multiple disbursement, but to be sensitive to the fact that the lender costs associated with this proposal are significant.

Along the same lines, we urge the Subcommittee to provide lenders with an adequate amount of time to prepare for the implementation of any changes to the program. In 1981, legislative changes were enacted with an almost immediate effective date. The result was mass confusion which caused many institutions to stop making loans. We urge the Subcommittee to do everything in its power to

assure that the effective date for any changes is at least 180 days after the date of enactment.

CBA REAUTHORIZATION PROPOSALS

I would now like to turn to several other proposals which have been made by CBA to improve the administrative efficiency and reduce the federal costs associated with the program.

Grace Period Extension

The first proposal would be to extend the repayment grace period after the student graduates from the current six months to nine months. What is happening in many instances is that students are unable to find jobs and begin employment in the six-month period. Many borrowers thus go unnecessarily into default while an additional three months grace period could give them time to get established and begin repayment. We believe that the small costs associated with enacting this amendment would be more than made up through reductions in default losses.

Credit Bureau Reporting

A second beneficial administrative change would be to require that lenders report the existence of a GSL to credit bureaus. This small step will have a significant impact on defaults by helping to prevent highly-indebted GSL borrowers from unwisely taking on additional consumer loan debt.

Extended Repayment Terms

Similarly, assistance should be provided to lenders who want to establish graduated repayment schedules to help borrowers who are unable to meet their initial repayment obligations.

Federal Database Access

An additional recommendation would be expansion of guaranty agency and lender access to databases such as Social Security and the Internal Revenue Service to help improve the tracing of delinquent and defaulted borrowers.

Loan Consolidation

Finally, we would recommend re-establishment of the loan consolidation program. In my opinion, much of the default loss in the GSL program today is occurring from good-faith borrowers who, in the face of difficult economic circumstances, simply cannot repay their loans. Loan consolidation offers highly indebted borrowers the option of stretching out their loan payments and easing their monthly obligations.

All current entities in the GSL program should be allowed to consolidate the loans of a borrower. This would assure the availability of a consolidation program to the borrower. Administrative complexity, such as multiple needs analysis requirements, should be avoided. This will encourage the broadest participation by lenders. The re-establishment of a viable loan consolidation program should be one of the highest priorities of the Congress as it begins the reauthorization process.

In closing, let me again thank you for the opportunity to participate in these hearings today. Because of the budget deficit and the need to address it, the GSL and other federal student aid programs are under attack. We thank the Subcommittee for taking the time to visit Indiana and to find out how some of the proposals currently being circulated would affect students who, without the helping hand of federal student aid, would be unable to obtain post-secondary college education and training. We hope that as the Subcommittee continues its work on the reauthorization that these students will always be your top priority.

I would be happy to respond to any questions the Subcommittee may have.

Summary
Effect of Proposed Legislative and Regulative Changes
on
Lending Yield on Guaranteed Student Loans

Current Average Yield	.75%
Possible proposed legislative changes:	
1. Multiple disbursement	-.20
2. Elimination of interest on multiplying funds	-.20
3. Reduction in special allowance of 25 basis points	-.25
Possible regulatory change:	
4. Increased lender due diligence	-.10
Lender yield if all proposed possible changes were implemented.	.0

Senator QUAYLE. I doubt if this will be the last time we will be communicating on this issue.

Mr. Draper.

Mr. DRAPER. Senator Quayle, I am pleased to give testimony and talk about what we need to be a little more successful.

As you know, these are programs that provide special support of services for low-income first generation college students. These programs, since their inception in 1965, have given many disadvantaged, poor, black, white, Hispanic, Indians, and others the opportunity to open doors that have previously been closed. The cost of one bomber 10 missile and a couple of jet fighters would probably be adequate to begin to adequately fund Trio Programs so that we can continue to accomplish our goals of educating the poor and disadvantaged.

I am in support of strong U.S. defense, but I am also reminded that no nation is secure and free unless its people are educated. We all know that in order to have a credible defense, it is necessary to strengthen the nation by developing human capital. Without trained scientists and technicians from all groups within the population, the United States can never have an adequate defense or prosperous country. We need both.

Recently the Washington office of the college board released a finding from a study. The study concluded that these programs had been delivering their service in a cost effective and professional manner. It is also suggested that because of demographic trends programs like those in Trio and equal opportunity centers will be increasingly needed in the next decade.

Let me give you a few examples of what we have done at Indiana State University. We have served over 5,000 students. A couple of examples. Mr. Dennis Hayes, a former Upward Bound student at Indiana State University, is also a successful practicing attorney in Indianapolis. Mr. Hayes stated that he would not have been able to become a lawyer or perhaps even go to college if it had not been from the guidance and directions he received from the Upward Bound Program he has recently been appointed Assistant Attorney Counsel for the National Office of the NAACP in New York.

Dr. Billie Jameson, a former Trio student at the Indiana University, is now a successful pediatrician in the City of Indianapolis in Indiana. She stated, "The Upward Bound Program helped me to adjust to college and make my transition from high school to college an easier one."

The one question the Government is asking, in my opinion, and many of my colleagues, is whether or not Federal Government should be involved in higher education? The question is not whether the programs work or not. We know they work. The question is why should the Federal Government and not the colleges and universities or State pay for the programs?

It is to the best interests of the Nation to safeguard our liberties, provide for the continuing growth of our country, and invest in its future by investing in the education of our youth. Equal access must be available for everyone.

In order for a nation to be truly free and productive, they have to ensure it will last. All the citizens must be educated. And the Federal Government must play a major role.

Since 1981-82 academic year, the Trio Program is a nationally serving 50,000 fewer students today because of the funding problems.

No less than five studies in the past 2 years have led to a disturbing conclusion that the commitment the Federal Government made in the 1960's to assist American minorities and the poor, and realizing their postsecondary aspiration is not a great risk. •

Another study recently concluded this year by the American Association for State Universities and Colleges showed that it is more difficult now for a student from low-income families to enroll in college than it was in 1978.

Unquestionably, these findings and trends are alarming.

My recommendations regarding this reauthorization of the special programs for students from disadvantaged backgrounds, commonly known as the Trio, are increasing the Trio authorization level; providing the post-Vietnam air veterans be eligible for Upward Bound services; expanding the allowable activity under the Trio training authority to include the publication of training materials, and authorizing a national center for postsecondary students designed to increase the awareness of available student assistance.

Thank you.

[The prepared statement of Mr. Draper follows:]

TESTIMONY OF FREDERICK W. DRAPER

DIRECTOR

EDUCATIONAL OPPORTUNITY PROGRAM
INDIANA STATE UNIVERSITY
TERRE HAUTE, INDIANA

Before the Subcommittee of Education, Arts, and Humanities of the
Senate Labor and Human Resources Committee

September 9, 1985

REGARDING THE TRIO PROGRAMS

Mr. Chairman, Members of the Subcommittee, my name is Frederick Draper and I am the Director of Educational Opportunity Programs at Indiana State University in Terre Haute, Indiana. I have been asked to give testimony about the TRIO Programs, (Talent Search, Upward Bound, & Special Services) and any relevant changes that might possibly be needed. I am more than happy to do so and feel fortunate to have been asked, but then maybe someone is paying me back for all the visits I've made to Congressmen and Senators on behalf of the National Council of Educational Opportunity Associations each March to attempt to persuade them to support TRIO programs. They know that each March they will be inundated with material, people, and students that justifiably support our programs.

I am pleased to give testimony to support TRIO Programs and talk about what we need to be even more successful, but I'm also disturbingly amazed at why we should have to continually justify a program that has demonstrated it's effectiveness in providing educational opportunities to individuals from low income families who are the first generation to attend college, to prepare these students for post secondary education, to provide special supportive services for low-income, first generation and physically handicapped students while they pursue programs of postsecondary education, and to train persons serving or preparing for services in programs and similar projects. These programs have, since their inception in 1965, given many disadvantaged, poor, Black, white, Hispanic, Indians, and others the opportunity to open doors that had previously been closed. It would seem to me that we would be much better off investing in the future, because that is what the cost of an education is, an investment that pays dividends in the future, rather than spending \$44 billion for a force of 500 midgetman missiles that may never be used. One bomber, ten missiles, and a couple of jet fighters would probably adequately begin to fund TRIO programs so that we can continue to accomplish our goals of educating the poor and disadvantaged in the United States. I am in support of a strong U.S. defense, but I'm also reminded that no nation is secure and free unless its' people are educated. We all know that in order to have a credible defense, it is necessary to strengthen the nations infra-structure by developing human capital. Without trained scientist and technicians--from all groups within the population-- the United States can never have an adequate defense or a prosperous country. We need both!

Recently the Washington Office of the College Board released a finding from a study they conducted of Talent Search and Educational Opportunity Center Programs. The study concluded that the programs have been delivering their services in a cost-effective and professional manner; it also suggested that because of demographic trends programs like Talent Search and Educational Opportunity Centers will be increasingly needed in the next decade.

Let me give you a few ideas about what we've done at Indiana State University over just the last three years, and let me also say that what we have done is typical of almost any of the institutions that have a TRIO based program. The Talent Search, Upward Bound, and Special Services Programs at Indiana State University have served over 4,746 students, the majority of which have been first generation college students. Ninety percent of the students that we have served may not have been able to go to college, finish high school, or find a productive career were it not for many of the services offered by the TRIO Programs.

Mr. Charles Brown, who is a former Upward Bound student at Indiana State University, is a typical success student for us. Charles Brown is from a family of 8 brothers and sisters and he was a first generation college student. Upward Bound was a means for him to continue his education at Indiana State University; to receive a degree; and to become a successful college administrator. He has, since his graduation, served as the Assistant Director of the ISU Upward Bound Programs and he is currently the Director of the Afro-American Cultural Center on campus as well as the owner of three small business enterprises in Terre Haute, Indiana. Where would Mr. Brown be today had it not been for the program?

Ms. Carrie E. Todd, a graduate of Indianapolis Shortridge High School, the esteemed former High school of our United States Senator Richard Lugar, and a former Upward Bound student at Indiana State University is from a family of eight and was a first generation college student. She is currently the Chief Medical Technologist at Regional Hospital in Terre Haute, Indiana. Her Upward Bound experience helped make it possible for her to not only graduate from the University of Evansville, but to achieve in her chosen field.

Mr. Dennis Hayes, a former Upward Bound Student at Indiana University is now a successful practicing Attorney in Indianapolis. Mr. Hayes has stated that he would not have gone on to be lawyer or perhaps not even attended college had it not been for the guidance and directions he received from the Upward Bound Programs. Mr. Hayes has recently accepted a position as Assistant General Council with the National Office of the N.A.A.C.P. in New York, New York.

Mrs. Leslie Smith, a 1982 Special Services student at Indiana State University who was once advised by a high school counselor to get married and raise children because she did not have the aptitude to go to college, not only went, but graduated with honors and is currently a successful high school teacher. A Talent Search counselor persuaded Mrs. Smith to talk to people at Indiana State University and they assisted her in filling out forms. She definitely would not have been at Indiana State University or graduated were it not for these programs.

Dr. Billie Jamison, a former TRIO student at Indiana University is now a successful Pediatrician in the City of Indianapolis, Indiana. She stated "the Upward Bound Program helped me to adjust to the college curriculum and learn study habits that made my transition from high school to college a much smoother one."

Indiana State University has helped many students finish G.E.D. programs, college, vocational programs, etc. The list of accomplishments can be stated over and over, but what we are concerned with here today is what would have happened to many of these students if the programs hadn't existed or what will happen to future high risk students if we don't continue the funding and increase the funding levels.

The question you're asking, in my opinion and many of my colleagues, is whether or not the federal government should be involved in high education. The question is not whether the programs work or not. We know they work. The question is why should the federal government and not the colleges and universities or states pay for these programs. It is to the best interest of the nation in order to safeguard our liberties, provide for the continuing growth of our country, and invest in its' future by investing in the education of our youth. Equal access must be available for everyone and not just the elite. In order for a nation to be truly free and productive and to insure that it will last, all of its citizens must be educated.

Since the 1981-82 academic year the TRIO programs have lost \$25 million in purchasing power. We, nationally, are serving 50,000 fewer students today because of the funding problems. We simply cannot allow the assault on Equal Educational Opportunity in Postsecondary Education to continue.

No less than five national studies in the past two years have led to a disturbing conclusion that the commitment that the federal government made in the 1960's to assist America's minorities in realizing their postsecondary aspirations is now at great risk. At the University of Chicago, just two years ago, the National Commission on Student Financial Assistance issued the first warning. The Commission released a study entitled "Changes in College Participation Rates and Student Financial Assistance, 1969, 1974, 1981." This report revealed that between 1974 and 1981, there was a sharp drop in the enrollment of students from families earning less than \$7,500 (See HED 2/17/83). Last Fall, the Office of Minority Concerns of the American Council on Education (ACE), in their Third Annual Status Report on Minorities in High Education, found that even though Blacks and Hispanics experienced increases in the number of high school graduates from 1975 to 1980, the percentage of high school graduates from these groups enrolling in college still declined.

Another study released earlier this year by the American Associates for State Colleges and Universities (AASCU), showed that it is more difficult now for students from low-income families to enroll in college than it was in 1978. The recent ACE study tends to reinforce the AASCU conclusion,

when it notes that Blacks, Hispanics and Native Americans continue to be underrepresented in four year colleges and universities. The AASCU study also found clear evidence of trading down among students from more expensive to less expensive schools, and from less expensive schools to non-enrollment. This possibly explains the sharp drop in minority enrollment in California Community Colleges in the Fall of 1983. Black Student enrollment there dropped 9.2 percent, Hispanic enrollment dropped 13.5 percent, and enrollment of Native Americans dropped 18.2 percent.

Unquestionably, these findings and trends are alarming. As the April 17, 1985 issue of Education Week noted, hard-won college enrollment gains for minority students are deteriorating with frightening consequences for the nation's future. Within this context, two things stand out. The diminishing federal interest in the welfare of poor and minority people, on the one hand, is having an immediate and adverse impact on the life-chances of youth from these populations. On the other hand, it will have the unintended effect of undermining the economic base of many of the nation's colleges and universities over time.

I could go on forever with my testimony for the TRIO Programs, but in summary, I would like to say I am pleased to have had this opportunity to discuss the programs and to present my recommendations regarding this Reauthorization of the Special Programs for Students from Disadvantaged Backgrounds Subpart of the Higher Education Act. (More commonly known as TRIO Programs)

The recommendations are:

1. Increasing the TRIO Authorization level.
2. Codifying the current practice of giving an institution or agency's prior experience in administering a TRIO Program a 13% weighting in making new awards.
3. Providing that Post-Vietnam era veterans be eligible for Upward Bound services.
4. Eliminating the matching requirements for Educational Opportunity Centers.
5. Expanding the allowable activities under the TRIO training authority to include the publications of training materials; and
6. Authorizing a National Center for Postsecondary Opportunity designed to increase awareness of the availability of student assistance.

In my opinion, the evidence which has been cited very briefly this morning provides strong support for the position that TRIO Programs provide services which are vital in assuring disadvantaged students a realistic opportunity to graduate from college.

Thank you for listening.

1. Educational Opportunity Centers

Purposes of the Program:

(1) To provide low-income and first-generation adults with information about admission to postsecondary programs and financial aid available; and (2) to provide assistance to such persons in applying for admission to postsecondary institutions including assisting with the preparation of necessary admissions and financial aid applications.

Number of Programs Funded FY 1985: 36
 Cost Per Client Served: \$90
 Participants: 102,800
 Cost Per Project: \$258,330

2. Special Services

Purposes of the Program:

To provide supportive services such as basic skills instruction, personal counseling, academic advising, tutoring, graduate and professional placement assistance, and career counseling to low-income, first-generation, and physical handicapped students enrolled in college.

Number of Projects Funded FY 1985: 658
 Cost per Participant: \$496
 Participants: 141,600
 Cost Per Project: \$106,840

3. Talent Search

Purpose of the Program:

(1) To identify qualified low-income and disadvantaged youth and to encourage such youth to complete secondary school and to enroll in postsecondary education; (2) to publicize the availability of student financial assistance (3) and to assist students and their families in completing necessary application forms.

Number of Projects Funded FY 1985: 170
 Cost Per Client Served: \$109
 Participants: 185,600
 Cost Per Project: \$119,410

4. Training Authority

Purpose of the Program:

To provide training for persons working in the TRIO programs in specialized areas such as computer utilization, working with handicapped students, and improving mathematics and science instruction.

Number of Projects Funded FY 1985: 11
 Cost Per Project \$96,000

5. Upward Bound

Purpose of the Program

To generate in low-income high school students the skills and motivation necessary for success in postsecondary education through attendance at summer programs on college campuses and supplemental counseling and instructional activities during the academic year.

Number of Projects Funded FY 1985: 423
 Cost Per Participant: \$2,235
 Participants: 33,100
 Cost Per Project: \$174,940

TRIO PROGRAMS
IMPACT OF THE ADMINISTRATION'S FY 1986
BUDGET ON THE TRIO PROGRAMS

Program Title Special Programs for Students from Disadvantaged Backgrounds (Trío), Higher Education Act of 1965, Title IV (Student Assistance) Part A, Subpart 4. P.L. 92-318 amended by 96-374.

Purposes of the Program: To identify qualified individuals from low-income families who are in the first generation in their families to attend college, to prepare these students for post-secondary education, to provide special supportive services for low-income, first-generation and physically handicapped students while they pursue programs of postsecondary education, and to train persons serving or preparing for service in programs and projects so designed.

Who Receives Funding: The 1,275 TRIO projects operate in over 800 higher educational institutions and 80 community agencies. In FY 1984 TRIO projects served a total of 505,000 students. Two-thirds of these students are from families where (1) the total taxable income is less than 150% of the poverty level, and (2) neither parent had graduated from college. Among TRIO students, 41% are black, 35% are white, 17% are Hispanic, 4% are American Indian and 3% are Asian. Eleven thousand TRIO students are physically handicapped.

Kind of Activities Supported: TRIO refers to five programs funded under Special Programs subpart: Educational Opportunity Centers, Special Services for Disadvantaged Students, Talent Search, Upward Bound, and a training program for TRIO staffs. The TRIO programs provide low-income, first-generation and physically handicapped students the supportive services they need--counseling, basic skills instruction, tutoring, information about college admissions and financial aid--to enroll in and graduate from college. These programs provide low-income students a realistic opportunity to escape cycles of poverty and dependence and to achieve the upward mobility afforded by higher education.

Impact of the President's FY 1986 Budget. In FY 1986, the Administration proposes to reduce TRIO funding by 53%. As a result, over 380,000 students would be eliminated from these programs.

--The 167 Talent Search and 33 Educational Opportunity Center projects would be eliminated. These projects, serving 294,000 students, provide information about college and financial aid opportunities to disadvantaged students.

Each year more than 20% of Black and Hispanic students who enter college receive assistance from Talent Search projects and Educational Opportunity Centers.

--The Administration's budget would cut back funding of special supportive services for students enrolled in college by 43%. More than 70,000 students would be eliminated from Special Services projects. Additionally, over the course of five years, the Administration would discontinue federally supported services at each of the 651 institutions presently receiving Special Services funds.

The counseling, tutoring, and remedial coursework funded by Special Services has been effective in increasing retention of disadvantaged students in college. Low-income and first-generation students having benefit of these services are more than twice as likely to stay in school as similar students who do not participate in such services. This TRIO program has also been shown to impact positively on the number of courses a student completes and on students' grade point averages.

--The Administration's budget would eliminate approximately 200 of the presently funded 421 Upward Bound projects. By doing so it would eliminate 15,600 Students from the program. The number of additional institutions which would voluntarily stop sponsoring Upward Bound projects because they could not secure the 20% match the Administration proposes to require is difficult to estimate.

Cuts in Upward Bound are difficult to justify in light of its proven effectiveness. High school students who enroll in Upward Bound are four times as likely to graduate from college as similar students who do not have benefit of these services while in high school.

NATIONAL CENTER FOR POSTSECONDARY EDUCATIONAL OPPORTUNITY

CURRENT LAW

RECOMMENDED AMENDMENTS

RATIONALE

After Sec. 483 a new section is added as follows:
Sec.

(a) It is the purpose of this section to help ensure equal opportunity in postsecondary education and to increase students' awareness of their potential eligibility for financial assistance.

(b) To the extent that funds are appropriated therefor, the Secretary is authorized to enter into a contract with an appropriate institution of higher education or public or private non-profit agency or organization to pay all or part of the cost of the establishment of a national center for postsecondary educational opportunity which will-

(1) coordinate the development and dissemination of preeligibility information for Federal, State, and institutional student assistance and information regarding postsecondary access;

(2) develop materials as necessary to increase student awareness of those Federal student assistance programs and postsecondary opportunities; and

(3) operate short-term training institutes to enable junior and senior high school counselors and teachers, personnel engaged in programs under section 417, college admissions personnel, and community agency staffs to counsel more effectively students regarding postsecondary opportunity and financial aid eligibility and availability.

(c) In determining whether to enter into a contract under this section, the Secretary shall consider the ability of the applicant to involve associations representing student financial aid

In recent years the Department of Education has devoted fewer and fewer resources to information dissemination efforts. This has compounded problems resulting from publicity and misinformation surrounding proposed cuts in student assistance. While the lack of information affects all students, it has particularly negative consequences for youth and adults from low-income and disadvantaged backgrounds. Declines in low-income and minority student enrollment since the mid 1970's are well documented. The National Center would provide a focus for various professional communities concerned with postsecondary access and enable these communities to work together to make better information about educational opportunities widely available.

SPECIAL PROGRAMS FOR STUDENTS FROM DISADVANTAGED BACKGROUNDS

CURRENT LAW

SEC. 417 (a) The Secretary shall, in accordance with the provisions of this subpart, carry out a program of making grants and contracts designed to identify qualified individuals from disadvantaged backgrounds, to prepare them for a program of postsecondary education, to provide such services for such students who are pursuing programs of postsecondary education, and to train persons serving or preparing for service in programs and projects so designed.

(b) (1) For the purposes described in subsection (a), the Secretary is authorized, without regard to section 3709 of the Revised Statutes (41 U.S.C. 5), to make grants to, and contracts, with, institutions of higher education public and private agencies and organizations, and in exceptional circumstances, secondary schools for planning, developing, or carrying out one or more of the services assisted under this subpart.

(2) In making grants and contracts under this subpart, the Secretary shall consider the prior experience of service delivery under the particular program for which funds are sought by each applicant.

RECOMMENDED AMENDMENTS

Subsection 417(b)(2) is amended to read as follows:

"In making grants and contracts under this subpart, the Secretary shall give the applicant's prior experience of service delivery under the particular program for which funds are sought a weighting of at least 13%.

RATIONALE

Since FY 1982 when it implemented the Education Amendments of 1980, the Department of Education has given prior experience a 13% weighting (15 points of 115) in making funding determinations for TRIO. In FY 1982, FY 1983 and FY 1984, this resulted in continuing 88% to 90% of projects which had been funded. Ten percent to 12% of projects funded were then located at institutions not previously funded. This appears to be an appropriate balance which assures continuity in services to students while providing a mechanism to discontinue projects which are not providing effective services. It also allows institutions which had not previously sponsored TRIO projects to gain access to these funds. The intent of this recommendation is to codify present practice.

CURRENT LAW

RECOMMENDED AMENDMENTS

RATIONALE

administrators, personnel engaged in programs under section 417, high school counselors, and college admissions counselors in the operation of the Center.

(d) There are authorized to be appropriated \$2,000,000 to carry out the provisions of this section for fiscal year 1987 and for each of the succeeding fiscal years ending prior to October 1, 1991.

CURRENT LAW

(c) For the purpose of making grants and contracts under this subpart there are authorized to be appropriated \$400,000,000 fiscal year 1988 and such sums as may be necessary for each of the succeeding fiscal years ending prior to October 1, 1985.

(d) For the purposes of this subpart-

(1) the term "first generation college student" means a person neither of whose parents completed a baccalaureate degree; and

(2) the term "low-income individual" means an individual from a family whose taxable income for the preceding year did not exceed 150 per centum of an amount equal to the poverty level determined by using criteria of poverty established by the Bureau of the Census.

(e) No individual who is an eligible veteran, as that term is defined by section 1652(a) of title 38, United States Code, shall be deemed ineligible to participate in any program under this subpart by reason of such individual's age.

TALENT SEARCH

SEC. 417B. (a) The Secretary shall carry out a program to be known as talent search which shall be designed -

(1) to identify qualified youths with potential for education at the post-secondary level and to encourage such youth to complete secondary school and to undertake a program of postsecondary education;

RECOMMENDED AMENDMENTS

Subsection 417(c) is amended to read as follows:

For the purpose of making grants and contracts under this subpart there are authorized to be appropriated -

\$400,000,000 for fiscal year 1987

\$450,000,000 for fiscal year 1988

\$500,000,000 for fiscal year 1989

\$550,000,000 for fiscal year 1990 and such sums as may be necessary for fiscal year 1991.

Subsection 417 (e) is amended to read as follows:

No veteran shall be deemed ineligible to participate in any program under this subpart by reason of age who-

(1) served on active duty for a period of more than 180 days, any part of which occurred after January 31, 1955, and was discharged or released therefrom under conditions other than dishonorable or

(2) served on active duty after January 31, 1955, and was discharged or released from duty because of a service connected disability.

RATIONALE

Presently fewer than 10% of the low income first-generation and physically handicapped individuals eligible for TRIO receive the services. The recommended language would allow approximately 900,000 eligible youth and adults to receive services in FY 1987 and subsequent years, a figure which remains substantially less than 20% of the eligible population. A maintenance factor is used in fiscal year subsequent to 1988 to assure that services are not eroded by inflation. This factor is based on change in the consumer price index between January 1, 1980 and January 1, 1985.

The current legislation limits participation particularly in Upward Bound to those veterans who served on active duty before January 1, 1977. This change would make post Vietnam-era veterans eligible for Upward Bound.

(2) to publicize the availability of student financial assistance available to persons who pursue a program of post-secondary education; and

(3) to encourage persons who have not completed programs of education at the secondary or postsecondary level, but who have the ability to complete such programs, to reenter such programs.

(b) A talent search project assisted under this subpart may include, in addition to the services described in paragraphs (1), (2), and (3) of subsection (a), tutorial services for youths being encouraged to undertake or reenter programs of postsecondary education if such tutorial services are not otherwise available to such youths through a project assisted under this subpart.

(c) In approving applications for talent search projects under this subpart for any fiscal year the Secretary shall--

(1) require an assurance that not less than two-thirds of the youths participating in the project proposed to be carried out under any application be low-income individuals who are first generation college students;

(2) require that such participants be persons who either have completed six years of elementary education or are at least twelve years of age but not more than twenty-seven years of age, unless the imposition of any such limitation with respect to any person would defeat the purposes of this section or the purposes of section 417E; and

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(3) require an assurance that individuals participating in the project proposed in the application do not have access to services from another project funded under this section or under section 417E.

(d) In approving applications for talent search projects under this subpart for any fiscal year, the Secretary shall require assurances that the project will be located in a setting accessible to the persons proposed to be served by the project.

Upward Bound

Sec.417C. (a) The Secretary shall carry out a program to be known as upward bound which shall be designed to generate skills and motivation necessary for success in education beyond high school.

(b) Any upward bound project assisted under the subpart may provide services such as-

(1) instruction in reading, writing study skills, mathematics, and other subjects necessary for success beyond high school;

(2) personal counseling;

(3) academic advice and assistance in high school course selection;

(4) tutorial services;

(5) exposure to cultural events, academic programs, and other activities not usually available to disadvantaged youth;

(6) activities designed to acquaint youths participating in the project with the range of career options available to them;

(7) instruction designed to prepare youths participating in the project for careers in which persons from disadvantaged backgrounds are particularly under-represented;

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(8) on-campus residential programs; and
(9) programs and activities as described
in paragraphs (1) through (8) which are
specially designed for students of limited
English proficiency.

(c) In approving applications for upward
bound projects under this subpart for any fiscal
year the Secretary shall -

(1) require an assurance that not less than
two-thirds of the youths participating in
the project proposed to be carried out
under any application be low-income indivi-
duals who are first generation college
students;

(2) require an assurance that the remain-
ing youths participating in the project pro-
posed to be carried out under any applica-
tion be either low-income individuals or
be first generation college students;

(3) require that there be determination,
with respect to each participant in such
project, that the participant has a need
for academic support in order to pursue
successfully a program of education beyond
high school; and

(4) require that such participants be
persons who have completed eight years
of elementary education and are at
least thirteen years of age but not
more than nineteen years of age, unless
the imposition of any such limitation
would defeat the purposes of this
section.

(d) Youths participating in a project pro-
posed to be carried out under any application
may be paid stipends not in excess of \$60 per
month during June, July, and August, and not
in excess of \$40 per month during the remain-
ing period of the year.

Special Services for Disadvantaged
Students

SEC 417D. (a) The Secretary shall carry out a program to be known as special services for disadvantaged students (hereinafter referred to as 'special services') which shall be designed to provide supportive services to persons participating in the projects.

(b) A special services project assisted under this subpart may provide services such as -

(1) instruction in reading, writing, study skills, mathematics, and other subjects necessary for success beyond high school;

(2) personal counseling;

(3) academic advice and assistance in course selection;

(4) tutorial services;

(5) exposure to cultural events and academic programs not usually available to disadvantaged students;

(6) activities designed to acquaint students participating in the project with the range of career options available to them;

(7) activities designed to assist students participating in the project in securing admission and financial assistance for enrollment in graduate and professional programs; and

(8) programs and activities as described in paragraphs (1) through (7) which are specially designed for students of limited English proficiency.

(c) In approving applications for special services projects under this subpart for any fiscal year the Secretary shall -

(1) require an assurance that not less than two-thirds of the persons participating in the project proposed to be carried out under any application -

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- (A) be physically handicapped, or
- (B) be low-income individuals who are first generation college students;
- (2) require an assurance that the remaining students participating in the project proposed to be carried out under any application either be low-income individuals, first generation college students, or physically handicapped;
- (3) require that there be a determination, with respect to each participant in such project, that the participant has a need for academic support in order to pursue successfully a program of education beyond high school; and
- (4) require that such participants be enrolled or accepted for enrollment at the institution which is the recipient of the grant or contract.
- (d) In approving applications for special services projects under this subpart for any fiscal year, the Secretary shall require an assurance from the institution which is the recipient of the grant or contract that each student enrolled in the project will receive sufficient financial assistance to meet that student's full financial need.

Educational Opportunity Centers

SEC. 417E (a) The Secretary shall carry out a program of paying up to 75 per centum of the cost of establishing and operating programs to be known as educational opportunity centers which shall be designed -

- (1) to provide information with respect to financial and academic assistance available for individuals desiring to pursue a program of postsecondary education; and

Subsection 417E (a) is amended to read as follows: The Secretary shall carry out a program to be known as educational opportunity centers which shall be designed -

The requirement that institutions sponsoring Educational Opportunity Centers provide 25% of the funding for the Centers is eliminated. No other TRIO program has a matching requirement. The Education Amendments of 1980 made substantial progress in bringing consistency to the TRIO subpart. This will bring further consistency.

(2) to provide assistance to such persons in applying for admission to institutions at which a program of postsecondary education is offered, including preparing necessary applications for use by admissions and financial aid officers.

(b) An educational opportunity center assisted under this subpart may provide, in addition to the services described in clauses (1) and (2) of subsection (a), tutorial and counseling services for persons participating in the project if such tutorial and counseling services are not otherwise available through a project assisted under this subpart.

(c) In approving applications for educational opportunity centers under this subpart for any fiscal year the Secretary shall-

(1) require an assurance that not less than two-thirds of the persons participating in the project proposed to be carried out under any application be low-income individuals who are first generation college students;

(2) require that such participants be persons who are at least nineteen years of age, unless the imposition of such limitation with respect to any person would defeat the purposes of this section or the purposes of section 417B; and

(3) require an assurance that individuals participating in the project proposed in the application do not have access to services from another project funded under this section or under section 417B.

Staff Development Activities

SEC. 417F. For the purpose of improving the operation of the programs and projects authorized by this subpart, the Secretary is authorized to make grants to institutions of higher education and other public and private nonprofit institutions and organizations to provide training for staff and leadership personnel employed in, or preparing for

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employment in, such programs and projects. Such training shall include conferences, internships, seminars, and workshops designed to improve the operation of such programs and projects and shall be carried out in the various regions of the Nation in order to ensure that the training opportunities are appropriate to meet the needs in the local areas being served by such programs and projects. Grants for the purposes of this section shall be made only after consultation with regional and State professional associations of persons having special knowledge with respect to the needs and problems of such programs and projects.

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Sec. 417F is amended by striking out and workshops and inserting in lieu thereof "workshops, and the publication of manuals".

RATIONALE

Valuable training could be provided TRIO staff members through written materials, whether developed specifically for conferences, seminars or workshops, or developed independently of such events. This language would make their publication an allowable activity under the Subpart.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

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Sec. 413A. (a) It is the purpose of this subpart to provide, through institutions of higher education, supplemental grants to assist in making available the benefits of postsecondary education to qualified students who demonstrate financial need in accordance with the provisions of section 482.

(b)(1) For the purpose of enabling the Secretary to make payments to institutions of higher education which have made agreements with the Secretary in accordance with section 413C(b), for use by such institutions for payments to undergraduate students for the initial academic year of a supplemental grant awarded to them under this subpart, there are authorized to be appropriated \$200,000,000 for the fiscal year ending June 30, 1973, and for each of the succeeding fiscal years ending prior to October 1, 1980, and \$350,000,000 for the fiscal year 1981, and for each of the succeeding fiscal years ending prior to October 1, 1985. Funds appropriated pursuant to this paragraph shall be appropriated separate from any funds appropriated pursuant to paragraph (2).

(2) In addition to the sums authorized to be appropriated by paragraph (1), there are authorized to be appropriated such sums as may be necessary for payment to institutions of higher education for use by such institutions for making continuing supplemental grants under this subpart, except that no appropriation may be made pursuant to this paragraph for any fiscal year beginning more than three years after the last fiscal year for which an appropriation

Section 413A(b)(1) is amended by striking out \$200,000,000 for the fiscal year ending June 30, 1973, and for each of the succeeding years ending prior to October 1, 1980 and \$350,000,000 for the fiscal year ending prior to October 1, 1985 and inserting in lieu thereof "such sums as may be necessary for fiscal year 1987 and for each of the succeeding fiscal years ending prior to October 1, 1991.

This extends authorization for the SEOG program.

is authorized under paragraph (1). Funds appropriated pursuant to this paragraph shall be appropriated separate from any funds appropriated pursuant to paragraph (1).

(3) Sums appropriated pursuant to this subsection for any fiscal year shall be available for payments to institutions until the end of the second fiscal year succeeding the fiscal year for which they were appropriated.

(4) For the purposes of this subsection, payment for the first year of a supplemental grant shall not be considered as an initial year payment if the grant was awarded for the continuing education of a student who-

(A) had been previously awarded a supplemental grant under this subpart (whether by another institution or otherwise), and

(B) had received payment for any year of that supplemental grant.

Amount and Duration of Grants

Sec. 4138. (a)(1) From the funds received by it for such purpose under this subpart, an institution which awards a supplemental grant to a student for an academic year under this subpart shall for each year, pay to that student an amount determined pursuant to paragraph (2).

(2)(A) The amount of the payment to any student pursuant to paragraph (1) shall be equal to the amount determined by the institution, in accordance with the provisions of section 482, to be needed by that student to enable him to pursue a course of study at the institution, except that such amount shall not exceed \$2,000.

(B) If the amount determined under division (1) of subparagraph (A) with respect to a student for any academic year is less than \$200, no payment shall be made to that student for that year. For a student enrolled for less than a full academic year, the minimum payment required shall be reduced proportionately.

(b)(1) The period during which a student may receive supplemental grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance.

(2) A supplemental grant awarded under this subpart shall entitle the student to whom it is awarded to payments pursuant to such grant only if the student meets the requirements of section 484, except as provided in section 413C(c).

Selection of Recipients; Agreements with Institutions

Sec. 413C(a) An individual shall be eligible for the award of a supplemental grant under this subpart by an institution of higher education which, in accordance with section 487, has an agreement with the Secretary applicable to this subpart, if the individual makes application at a time and in a manner consistent with the requirements of the Secretary and that institution, and meets the requirement of section 484.

(b) From among individuals who are eligible for supplemental grants for each fiscal year, the institution shall, in accordance with the agreement under section 487, and within the amount allocated to the institution for that purpose for that year under section 4130(b), select individuals who are to be awarded such

Sec. 413C(a) is amended as follows:

An individual shall be eligible for the award of a supplemental grant under this subpart by an institution of higher education which in accordance with section 487, has an agreement with the Secretary applicable to this subpart, if the individual is a low-income individual and first-generation college student as defined by Sec. 417A(d), and makes application at a time and in a manner consistent with the requirements of the Secretary and that institution, and meets the requirements of section 484.

Numerous studies have documented the decline in the numbers of low-income, minority and other disadvantaged students enrolled in college since the mid 1970's. Equally important is the evidence which documents the decreasing proportions of federal student assistance targeted on the most disadvantaged. This amendment would re-target a significant portion of federal grant aid on the most disadvantaged. Additionally, it would enhance coordination with educational opportunity efforts such as the TRIO programs so as to provide low-income and first generation students a realistic opportunity to complete post-secondary programs.

grants and determine, in accordance with section 4130, the amounts to be paid to them.

(c) An eligible institution may use not more than 10 per centum of its allocation for less-than-half-time undergraduate students who are determined by the institution to be in need of such grants and who meet the requirements of section 484, other than the requirement of clause (2) of section 484(a).

Apportionment and Allocation of Funds

Sec. 4130. (a)(1)(A) From 90 per centum of the sums appropriated pursuant to section 413A(b)(1) for any fiscal year, the Secretary shall apportion to each State an amount which bears the same ratio to such sums as the number of undergraduates enrolled full time and the full time equivalent of the number of undergraduates enrolled part time in institutions of higher education in such State bears to the total number of such undergraduates in all States. The remainder of the sums so appropriated shall be apportioned among the States by the Secretary in accordance with equitable criteria which he shall establish and which shall be designed to achieve a distribution of the sums so appropriated among the States which will most effectively carry out the purpose of this subpart, except that where any State's apportionment under the first sentence for a fiscal year is less than its allotment under the first sentence of section 401(b) of this Act for the fiscal year ending June 30, 1972, before he makes any other apportionments under this sentence, the Secretary shall apportion sufficient additional sums to such State under this sentence to make the State's

apportionment for that year under this paragraph equal to its allotment for the fiscal year ending June 30, 1972, under such first sentence. Sums apportioned to a State under the preceding sentence shall be consolidated with, and become a part of, its apportionment from the same appropriation under the first sentence of this paragraph.

(B) If the Secretary determines that the sums apportioned to any State under subparagraph (A) for any fiscal year exceed the aggregate of the amounts that he determines to be required under subsection (b) for that fiscal year for institutions of higher education in that State, the Secretary shall reapportion such excess, from time to time, on such date or dates as he shall fix, to other States in such manner as the Secretary determines will best assist in achieving purposes of this subpart.

(2) Sums appropriated pursuant to section 413A(b)(2) for any fiscal year shall be apportioned among the States in such manner as the Secretary determines will best achieve the purposes for which such sums were appropriated.

(b)(1)(A) The Secretary shall, from time to time, set dates before which institutions in any State must file applications for allocation, to such institutions of supplemental grant funds from the apportionment to that State (including any reapportionment thereto) for any fiscal year pursuant to subsection (a)(1).

(B)(i) From the sums apportioned (or reapportioned) to any State, the Secretary shall allocate amounts to institutions which have submitted applications pursuant to subparagraph (A).

(ii) Allocations under division (i) by the Secretary to such institutions shall be made in accordance with a formula which determines institutional need for funds under this subpart by subtracting from 75 per centum of total student expenses the sum of expected family or independent student contributions, awards made under subparts 1 and 3 of this part, and 25 per centum of grants and awards made by the institution from its own resources. In addition, the Secretary, in establishing equitable criteria, shall not issue any regulation which has the effect of penalizing institutions that under existing State law must provide scholarships or grant assistance from their own funds and yet are not free under laws in effect on January 1, 1979, either to select the recipients of such assistance or to adjust the criteria by which the recipients are selected. The formula established under this division shall not result in any institution receiving an amount less than-

(i) 100 per centum of the amount such institution received and used under this section for fiscal year 1979 in the case of any fiscal year for which the appropriation for this part is less than \$400,000,000;

(ii) 80 per centum of such amount in the case of any fiscal year for which such appropriation is at least \$400,000,000 but less than \$420,000,000

(iii) 60 per centum of such amount in the case of any fiscal year for which such appropriation is at least \$420,000,000 but less than \$440,000,000;

(IV) 40 per centum of such amount in the case of any fiscal year from which such appropriation is at least \$440,000,000 less than \$460,000,000; or

(V) 20 per centum of such amount in the case of any fiscal year for which such appropriation is at least \$460,000,000 but less than \$480,000,000.

(2) The Secretary shall, in accordance with regulations, allocate to such institutions in any State, from funds apportioned or reapportioned pursuant to subsection (a)(2), funds to be used as the supplemental grants specified in section 413A(b)(2). Such allocation shall be made in accordance with the formula prescribed by regulation under division (ii) of paragraph (1)(B) of this subsection.

(3) Each institution receiving allocations under this subsection from apportionments made to the State under subsection(a)(1) and under subsection (a)(2) may use its allocations for initial supplemental grants and for continuing supplemental grants in such manner as the institution determines will best achieve the purposes of this subpart.

(4) Payments shall be made from allocations under this subsection as needed.

Senator QUAYLE. Thank you very much, Mr. Draper. And I thank our panel here.

It is an issue that we are going to be dealing with, and I think your specific recommendations that you have talked about now are the ones that you have put apart from your prepared testimony that we have put into the record and are of great value. As I said, we will be communicating for quite some time as this thing goes on.

Thank you very much.

Our final panel is Sharon Adkinson, Gloria Jablonski, and Nannette Collins.

OK. Ms. Sharon Adkinson of Bethel College.

STATEMENT OF SHARON ADKINSON, BETHEL COLLEGE, MISHAWAKA, IN; GLORIA JABLONSKI, FORMER STUDENT, IVY TECH NORTH CENTRAL, SOUTH BEND, IN; AND NANNETTE COLLINS

Ms. ADKINSON. Our topic this morning, financial aid, means many things to different people. Previously, we have heard the political side. Now, if I may, let me share with you a financial situation through the checkbook of an average student.

My name is Sharon Adkinson. I am a student at Bethel College. My major is psychology. At this time, I am undecided exactly what field I will choose. Graduate school is more than likely in my future. Eventually, I would like to begin my own practice.

I am the first to attend college in my family. My father is employed at a small factory in town. My mother is a housewife. Our family income is enough for us to live comfortably. Even so, the tastes of this independent girl have led me into the working world. I have a weekend job at Dixie Creme Donuts on Lincolnway West in Mishawaka. And, ironically enough, my college work study job is in the financial aid office. My incomes are used to make car payments, to pay bills, and to pay my tuition.

At Bethel College, tuition is \$145 per credit hour. My bill for taking 16.5 hours this fall was \$2,572.50. I received \$861 in financial aid grants; \$100 was SEOG, supplemental education grant. State awards totaled \$761; freedom of choice, \$403; HEA, \$358. I did not qualify to receive a Pell grant. As most students do, I applied for a guaranteed student loan. However, I only borrowed \$1,000 for the year. I was fortunate enough to qualify for a Vern Sailor loan this year. Those not familiar with Vern Sailor loans, let me explain.

Mr. Sailor is a businessman in Elkhart that gives interest free loans to Bethel students that show outstanding Christian and civic qualities and also have a financial need. With all moneys applied to my account, enough was left to purchase books for this semester.

Working in the financial aid office has familiarized me with the detailed process of receiving aid. Each day brings a new situation into our office. From these instances and personal experience, I have formed opinions on what I think is good and bad about State grants.

The biggest problem, I feel, is that the application is too cut and dry. How many times a day do you say "Yes, but * * *"? Situations differ from person to person.

The financial aid form, or FAF as it is affectionately called, does not give opportunity to explain each particular case. The most common complaint is: "I pay my own tuition. My parents' income does not affect me." This too is my problem.

I work to earn enough for my school bill. As I said earlier, I did not qualify for a Pell grant. Why? That was my question. This would be easier to understand if students that had never worked did not receive maximum amounts of State and Federal aid. To me, this is unfair.

The FAF does have good points. First, a special conditions form is available for students whose financial status changes drastically. And the deadline teaches us to be responsible. If the deadline is not met, simply enough no grants are awarded.

I am thankful that God has given me the opportunity to attend Bethel. Each dollar I receive from the State, the Federal Government, the college, or even the bank is greatly appreciated. I am also thankful to you for allowing me to be here today and to state my opinions.

I would like to leave you with this thought from Ecclesiastes 7:12: "Wisdom is a shelter as money is a shelter, but the advantage of knowledge is this: that wisdom preserves the life of its possessor."

Senator QUAYLE. Thank you very much. Very fine testimony. Ms. Jablonski.

Ms. JABLONSKI. Thank you very much, Senator, for inviting me here today. I am 35 years old. I got a little later start at college than most students usually do.

I am the single parent of a 13-year-old son. Very recently, I had the privilege of being the fourth woman to graduate with an associate in applied science degree in automotive service technology from the Indiana Vocational Technical College in South Bend.

The fact that I am here today says a little about how far an individual can go in our country with faith, hard work, determination, and the support of our Government. But most important of all, it says a great deal about the future role of a country whose elected leaders give renewed hope for the education of its people who are most in need of financial assistance to make that education possible.

In my case, that education was made possible by three Government programs. They are the former CETA Program, the Job Training Partnership Act Program, and the Pell Grant Program.

Under the CETA Program, I was allowed to brush up on what I learned in high school years ago by way of Supportive Services Adult Basic Education Program. I was given help which prepared me to go take my college entrance examination. Upon being accepted to college, supportive services under the same program helped with the funds needed for books, fees, and some needed tools and equipment for my field of study.

When the CETA Program ended, and the Job Training Partnership Act came into being, things were hard for many students. This was because needed supportive services, such as transportation,

child care, book fees, and required equipment for certain programs was taken away from those who needed them. As a result, some very gifted students found that they would be forced to end their college education. Some of my friends were among them.

In my own field of study, for example, we were required to have a basic hand tool set, the average cost of which was close to \$1,000. When the supportive services that had allowed me to get \$100 each new quarter of instruction to aid in the cost of these tools was taken away, I had a very hard time getting funds to keep up with the rest of my class. Because I was unemployed, I worried that I may have to leave college, as did some of my friends. And I can tell you that being worried about what could be taken away next made it very hard to keep up with my studies.

The Pell Grant Program was the next place to look for help. For myself it was great help indeed. But not all who were in need of this program's assistance could, some because they were working and could not carry the correct number of credit hours needed to qualify. For those of us who were on welfare, things were a real living hell. Because even with being lucky enough to get the Pell grant, we would learn that the Department of Public Welfare in the State of Indiana was allowed by orders from the White House to count this grant money as usable income that could go toward a person's household expenses.

I did not know then, nor do I now even begin to understand how this could even be legal. This is because in each application I ever filled out for the Pell grant, it states that anyone using those funds for anything but educational expenses could be faced with a large fine and could also be faced with a prison term.

To my way of thinking, the Department of Welfare in the State of Indiana was asking me and students in my same situation to break the law, which is just what we would have done if we used our Pell grant money for our household bills. In fact, I felt so strongly about this issue, I asked to talk to the head of the Department of Public Welfare in South Bend about this matter. I was not given an appointment with him but, instead, several days after making a complaint, I was sent a letter that stated that I was to have food stamps cut by over \$40.

Now, that may not seem like a great deal of money but, in view of the fact that I was getting far less than \$100 per month in food stamps already, this hurt, not to mention making me very angry, so much so in fact that I requested a hearing on this matter.

After quite some time, I was granted a hearing at which I was told that the reason the Department of Public Welfare had to count my Pell grant as income was because the Department did not consider the college I was attending an institution of higher education by their definition.

Needless to say, I was quite upset. I talked to my college's student services director about this matter, and learned that the college had other students in the office with the same problem. I was told that the Department of Public Welfare had no right to do this because Indiana Vocational Technical College was then, as now, a fully accredited college. I was also told that the college had dealt with the Department of Public Welfare on this issue in the past and that, as a result, the Department had changed their so-called

ruling at least several months before I was told that the cuts in my food stamps was to take place.

One has to wonder just what kind of games this Government funded agency is trying to play with the dependent college students.

In closing, let me ask one favor, if I may. That is that as this subcommittee makes their decision on the reauthorization of the Higher Education Act, you not only look at dollars and cents, but rather that you look at the individuals who will ultimately be helped or hurt by those decisions. And that for them you would try to get Government agencies to work together with the needy and not against them so that they can stay in school.

Thank you for the time you have given to me.

Senator QUAYLE. Thank you very, very much.

Ms. Nannette Collins?

Ms. COLLINS. Yes; it is.

I do not have any notes per se. I was just going to talk basically about my experiences with financial aid.

My name is Nannette Collins. I am a junior at IUSB carrying 83 credits. Policy and administration is my major, and I am currently carrying 15 credit hours.

I am a single parent. I have one child, David, who I love very much.

My total contribution from financial aid has been \$24,757. To break that down further, from SSACI I have gotten 3,052; from Pell grant, 6,803; National Direct Student Loan, 4,500; work study, 5,613; GSL, 4,789; and then from IUSB I have gotten a grant of \$510.

My experience at IUSB has been very meaningful to me as an individual. Attending classes of the university, as a matter of fact, raised my morale to a higher level. When I first started at the university, I did not really feel that I was worth too much. But now, through the use of grants and so forth, going to the school, I have become a different person, and I really appreciate the fact that I have been able to attend college and so forth, and I am very appreciative of the grants, loans and all other available aid. And so I really have no qualms about the financial aid program at all. I only give my best regards to the program because it has, as I said, made a better person, a better individual of me.

And so, that is all I really want to say about it, and I appreciate—I am very honored, as a matter of fact, to even be up here stating these facts.

Senator QUAYLE. Well, I thank you very much. And I appreciate your testimony and the whole panel's testimony.

I think it shows that the student loan program and grants do in fact work. It is not money that just sort of goes out there and dries up and blows away. It gets down to grassroots level, gets down to people, gets down to the real human situations. Obviously, you have all benefited from it. I congratulate you for your work. I congratulate you for coming here today and testifying. It means a lot to me personally, and certainly other members of the subcommittee of the Senate would be very interested in what you have had to say. I thank you very, very much.

With that, the committee will be in adjournment.

[Whereupon, at 11:31 a.m., the subcommittee adjourned.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

TUESDAY, SEPTEMBER 10, 1985

[MORNING SESSION]

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room SR-385, Russell Senate Office Building, Senator Robert T. Stafford (chairman of the subcommittee) presiding.

Present: Senators Stafford, Pell, Simon, Wallop, and Grassley.

OPENING STATEMENT OF SENATOR STAFFORD

Senator STAFFORD. The Subcommittee on Education, Arts and Humanities will please come to order.

If the chairman's statement this morning is somewhat disjointed, it is because I am trying out a pair of bifocal glasses for the first time in my life. First, I am taking the short view of things inadvertently and then the long view, and neither one seems to be very compatible with my usual practice.

Today, the Senate Subcommittee on Education, Arts and Humanities begins a series of hearings on the reauthorization of the Higher Education Act of 1965. For the past 20 years, the Federal Government has, through its financial aid programs, encouraged millions of Americans at thousands of institutions across the land to seek postsecondary education.

In 1985, the Federal financial investment in student financial assistance approaches \$9 billion. In this Senator's mind, the Federal role has been and always should be promotion of both access and choice in higher education.

The U.S. system of postsecondary education, we believe, is unique in two ways. First, there is diversity in the courses of study provided and, second, a postsecondary education is accessible to the majority of high school graduates.

By making financial aid available for students from low- and middle-income families, the Federal Government invests in the future of our Nation. An educated, skilled citizenry is essential for a strong democracy.

The purpose of our hearing today is to give participants in these important programs the opportunity to share their experiences and suggestions for improvement with members of this subcommittee.

I think it is very appropriate that our first panel of witnesses is made up of students from across the Nation who receive financial assistance from the Federal Government to attend college. Since students are and should continue to be the primary beneficiaries of these programs, their needs and interests should be the primary focus of our hearings on reauthorization.

Our second panel, parents of students attending college, will be presenting equally valuable testimony. We would be remiss if we did not acknowledge the hard work and sacrifice families must make in order for students to attend college today. We greatly appreciate their taking the time to come to Washington to share their firsthand experiences about these programs with us.

I would like to remind all of our witnesses that their oral testimony is to be limited to 5 minutes. I will have to regretfully enforce that rule so that everyone will have the opportunity to present their testimony and to answer questions.

I am reminded of what my late father used to say, that few souls are saved after the first 5 minutes anyway.

I would like now to invite our first panel of student witnesses to come forward, and I am delighted to see my colleague, the most able Senator from Massachusetts, in the room.

Senator Kerry, if you care to make an introductory statement, we would be honored to have you do it.

Senator KERRY. Thank you very much, Mr. Chairman. I know you have a very full platter this morning and I will be very, very brief. I appreciate enormously your courtesy in letting me introduce a member of this panel.

I congratulate you on these hearings, which I think are most important, and take great pride and pleasure in introducing to you a young gentleman, Mike Meehan, who came to my office originally as a volunteer and worked as an intern. His work was frankly so good that we hired him and actually paid him some money during the course of the summer, and he supplemented that by working at night.

But the reason I wanted to introduce him, Mr. Chairman, is that he really is an example of the extraordinary success of the availability of access to education. I think while his story represents that success, unfortunately for too many people in this country the access is becoming limited.

So I hope the committee will indeed take note of the positive side of what he represents, but will take to heart the downside of what he is talking about, and I know the committee will respond.

I congratulate you, Mr. Chairman, on your important efforts in this regard. Thank you very much.

Senator STAFFORD. Thank you very much, Senator Kerry. We appreciate your coming over and making that introduction for the committee.

Senator KERRY. Thank you very much.

Senator STAFFORD. I would say to our first panel of witnesses—Ms. Cassidy, Mr. Jordan, Mr. Meehan, Ms. Arthur, Mr. Row, and Ms. Chamberland—that, as I said, we will have to enforce the 5-minute rule. If you have prepared statements, all of your statements will appear in the record as if read.

We are going to go traffic cop, and we have got a green, yellow, and red light system that will be working. I think the arrangement will be that at 4 minutes you will get a yellow and at 5 minutes you will get the red.

And even though I am occasionally accused of being a Republican, do not attempt a right turn on red. [Laughter.]

I just had too much sleep last night. [Laughter.]

I am going to ask the witnesses to go in the order in which I have called their names, so Yvonne Cassidy of Erie Community College in Williamsville, NY, you are at bat.

STATEMENT OF YVONNE S. CASSIDY, STUDENT, ERIE COMMUNITY COLLEGE, WILLIAMSVILLE, NY; DAN JORDAN, STUDENT, UNIVERSITY OF CALIFORNIA AT LOS ANGELES, WASHINGTON, DC; MICHAEL P. MEEHAN, STUDENT, BATES COLLEGE, RAYNHAM, MA; ANN V. ARTHUR, STUDENT, YALE UNIVERSITY, BROOKLYN, NY; JAMES C. ROW, STUDENT, UNIVERSITY OF WYOMING, LARAMIE, WY; AND TRACY A. CHAMBERLAND, STUDENT, ROGER WILLIAMS COLLEGE, PROCTOR, VT

Ms. CASSIDY. Thank you very much, Mr. Chairman.

Senator STAFFORD. The microphones in this room are not very good, so in order for our guests to hear you, please pull both of those mikes up, especially that one; that is the one that covers the room.

Ms. CASSIDY. All right. Is that all right now?

Senator STAFFORD. Fine.

Ms. CASSIDY. A 20-year journey full of detours has brought me before you today. When I graduated from high school in 1963, there was no Higher Education Act. My parents could not afford to send me on to higher educational opportunities, so I joined the workforce where the jobs were many and varied.

Throughout those 20 years, I was making an investment in my country. Then 3 years ago, a set of circumstances brought about my entry into college. My husband and I had dreamed of owning our own telecommunications business. With his expertise and knowledge, we did just that in Buffalo, NY.

However, the energy crisis, the 300-percent increase in gas costs, the 100-percent increase in insurance, the competing with big business, brought this dream to a screeching halt in January 1980.

Because neither of us was eligible for unemployment, and at that time unemployment in Buffalo, NY, was around 10 percent, and while my husband began looking for a job, I went back to waitressing and a clerical job, working about 50 hours a week just to make ends meet.

My husband spent several agonizing months looking for a job. I was beginning to crumble under the 50-plus hours of work and my husband suffered personal agony and frustration. Because we owned a home and still had not sold our business inventory, we were told that we were not eligible for any kind of help from the social services department.

He came home beaten and humiliated, but we continued to pursue every alternative. As a Vietnam veteran, my husband looked into returning to school, but the current educational bene-

fits would make it next to impossible for us to survive only on my income.

Finally, in July 1980, the job opportunity arrived and my husband was once again the breadwinner. Together, we struggled for another few years to get back on our feet. During all this time, I realized the need for me to begin my college education.

Because Erie Community College has a campus just 5 minutes from my home, I traveled up there to find out what it would take for me to enter college. I chose a community college because they are known for smaller classes and more individual contact with the instructors.

It was during my counseling that I was handed a brochure about the Financial Aid Program. All of a sudden the old dream of a degree in computer science and math was beginning to resurface. I went home full of excitement and with a new hope.

I applied for the guaranteed student loan, which I received. Because we had done business with this bank for over 10 years, the decision was made swiftly for the loan, and that definitely made the difference for me.

Things have gotten better for me, but not for many of my fellow students. You see, once I became involved in the student government, I began to see the disparity. I also became very angry when I heard some of the comments about college students.

When the average age of students on the community college campus is 28, do people really believe that the financial aid money goes for stereos, vacations, and new cars? Reality is that besides the costs of tuition and books, the money goes toward child care, travel to and from campus, and basic needs for existence.

The majority of students on my campus work at least one job. Also on the majority of my campus is the number of students that need financial aid to survive getting an education—about 80 percent.

On my campus, 50 percent of those students are divorced, single head of household women. Many of my fellow students know that I have gotten very active on campus with regard to the reauthorization of the Higher Education Act of 1965, Salt D, and child care inefficiencies. They beg my help because they know I understand their frustration, and they also know that I have pledged to actively seek changes and/or expansion of current programs and trends.

Where is the sense when food stamp allocations are cut because a student receives a guaranteed student loan? Why must we face unrealistic funding formulas for community college students? Why must a student not be able to receive full financial aid because she or he works and can only go to school part time?

What do we have to do to ask our country to give back a small investment when most of us have spent years investing in our country?

I know my story is just 1 of millions. I have been fortunate enough over the years to have worked at different jobs and now a student beginning my third year at Erie Community College.

The current programs have made a very real difference in my life, and I hope that sharing of my story will help you in making sure that the reauthorization process will result in laws that will

expand and be more sensitive to the increasing needs and diversity of nontraditional and community college students.

As the chair of the Community College Caucus of the U.S. Student Association, I am proud to formally release the report on the state of the community college system, the results of hearings, and a survey conducted by the U.S. Student Association and its foundation, the National Student Educational Fund.

I wish to thank you for giving me this opportunity. Dreams are what have made this country truly great. Please do not extinguish my future dreams, my fellows' future dreams, their children's future, and our Nation's future.

[The prepared statement of Ms. Cassidy follows:]

TESTIMONY TO THE
UNITED STATES SENATE SUB-COMMITTEE
ON EDUCATION, ARTS, AND HUMANITIES
REGARDING THE RE-AUTHORIZATION OF THE
HIGHER EDUCATION ACT

BY: Yvonne S. Cassidy
Chairperson
Community College Caucus
United States Student Association

Chairperson
Faculty Student Association
Erie Community College/North

Class Chairperson
Student Government Association

Student
Computer Science (3.0 QPA)

September 9, 1985

MR. CHAIR AND MEMBERS OF THE SUB-COMMITTEE:

I AM HONORED TO BE HERE TODAY REPRESENTING COMMUNITY COLLEGE STUDENTS ON MY CAMPUS AT ERIE COMMUNITY COLLEGE AND AS CHAIR OF THE COMMUNITY COLLEGE CAUCUS OF THE UNITED STATES STUDENT ASSOCIATION.

WITH MY TESTIMONY TODAY, I AM PLEASED TO RELEASE A FINAL JOINT REPORT CONDUCTED BY THE UNITED STATES STUDENT ASSOCIATION AND ITS FOUNDATION, THE NATIONAL STUDENT EDUCATIONAL FUND ON VIBES AND CONCERNS OF COMMUNITY COLLEGE STUDENTS ACROSS THE COUNTRY. ERIE COMMUNITY COLLEGE PARTICIPATED IN THIS SURVEY BECAUSE OF THEIR CONCERNS ON FINANCIAL AID AND STUDENT SERVICES ISSUES.

I URGE YOU TO SUPPORT THE EXPANSION OF STUDENT AID PROGRAMS TO ENSURE INCREASED EDUCATIONAL OPPORTUNITIES FOR STUDENTS DURING THIS RE-AUTHORIZATION PROCESS. THE MOST IMPORTANT INVESTMENT THAT WE CAN MAKE TO SECURE OUR FUTURE AS INDIVIDUALS, FAMILIES AND A NATION IS EDUCATION.¹ CORRECTLY UNDERSTAND, NATIONAL SECURITY DOES NOT MEAN "STAR WARS"; IT MEANS A WELL-EDUCATED, WELL-TRAINED AND FULLY EMPLOYED POPULATION. RE-WRITING THESE IMPORTANT LAWS WITH A COMMITMENT FOR EXPANDING EDUCATIONAL ACCESS WILL MAKE IT POSSIBLE FOR MILLIONS OF AMERICANS TO BENEFIT FROM LOW COST AND AFFORDABLE EDUCATION. THE LOW COST TUITION AT THE MAJORITY OF COMMUNITY COLLEGES BECOMES EVEN MORE MEANINGFUL WHEN WE LOOK AT THE SHRINKING FEDERAL COMMITMENT TO HIGHER EDUCATION. THIS IS REFLECTED IN THE PROPOSED CUTS MADE BY THE CURRENT ADMINISTRATION WHICH YOU HAVE REJECTED AS A COMMITTEE.

LAST WINTER STUDENTS AT MY CAMPUS, AS WELL AS OTHER CAMPUSES ACROSS THE COUNTRY, PANICED WITH THE NEWS HEADLINES OF MASSIVE CUTS IN STUDENT AID.

THOSE PROPOSALS RESULTED IN STUDENTS ON MY CAMPUS WRITING LETTERS, VISITING OUR CONGRESSIONAL REPRESENTATIVES MAKING SURE THAT THEY KNEW WHAT THE IMPACT OF THESE CUTS WOULD BE. BECAUSE MANY STUDENTS WERE UNSURE AS TO HOW SEVERE THE CUTS WOULD BE, FOR MANY THE RESULT WAS THE DECISION NOT TO RETURN TO SCHOOL. THE COMBINED EFFECT OF CUTS, PROPOSED CUTS AND NON-REAUTHORIZATION OF THE 1965 H.E.A. MOST ASSURELY WILL JEOPARDIZE MILLIONS OF STUDENTS' DREAMS OF A COLLEGE EDUCATION AND OUR NATION'S COMPETITIVE EDGE.

THE PASSAGE OF THE 1965 H.E.A. PROVIDED A MEANS BY WHICH COMMUNITY COLLEGES AND THEIR STUDENTS WOULD BE ASSURED ACCESS TO PUBLIC HIGHER EDUCATION. UNDER THIS ACT COMMUNITY COLLEGE STUDENTS HAVE RETURNED THE INVESTMENT TO THEIR COMMUNITY, THEIR STATE AND OUR NATION. STUDIES HAVE SHOWN THAT STUDENTS WHO OBTAIN DEGREES AND GO OUT INTO THE COMMUNITY REPAY THE INVESTMENT BY OVER 600 PERCENT. THIS IS AN EXAMPLE OF THE BENEFITS THAT MARK HUMAN RESOURCE POTENTIAL AND THE HISTORY OF PUBLIC INVOLVEMENT IN HIGHER EDUCATION. WITHOUT THE GI BILL, ERIE COMMUNITY COLLEGE WOULD NOT HAVE COME INTO BEING AND THE SCIENTIFIC TECHNOLOGICAL REVOLUTION OF THE 1950'S AND THE 1960'S WOULD NOT HAVE OCCURRED. THE CURRENT SCIENTIFIC TECHNOLOGICAL REVOLUTION CANNOT BE SUSTAINED OR ADVANCED IN THE ABSENCE OF A BROAD NATIONAL COMMITMENT TO FUNDING PUBLIC HIGHER EDUCATION. THE RE-AUTHORIZATION OF THE 1965 H.E.A. IS THE COMMITMENT OF THIS NATIONAL POLICY. THE PRESENT AND FUTURE ECONOMY OF THIS COUNTRY REQUIRES TRAINING AND RE-TRAINING OF OUR HUMAN RESOURCES. ONCE CANNOT ADVANCE TODAY WITHOUT AT LEAST A COMMUNITY COLLEGE EDUCATION OF THE ACQUISITION OF ADDITIONAL AND VARIED SKILLS. THE H.E.A. HAS MADE THIS EDUCATION POSSIBLE FOR MANY, AND IF RE-AUTHORIZED WOULD AID MILLIONS MORE.

AS CHAIRPERSON OF THE COMMUNITY COLLEGE CAUCUS OF THE UNITED STATES STUDENT ASSOCIATION, AND AS A STUDENT LEADER ON MY CAMPUS, I SHALL NOT SIT IDLY BY AND WATCH THE DESTRUCTION OF THE PROGRESS OF THE EDUCATIONAL OPPORTUNITIES, NOR THE DIMINISHMENT OF OUR COUNTRY'S ABILITY TO COMPETE.

AS ERIE COMMUNITY COLLEGE BEGINS ITS' FORTIETH YEAR OF PROVIDING PUBLIC HIGHER EDUCATION TO ITS COMMUNITY WE NOTE THAT WITHOUT THE RE-AUTHORIZATION OF THE H.E.A. THE FUTURE OF MANY OF MY FELLOW STUDENTS IS THREATENED, AND ACCESSIBLE LOW COST, HIGH QUALITY, PUBLIC EDUCATION THAT ERIE COMMUNITY COLLEGE DELIVERS IS IN GREAT DANGER. ACCORDING TO OFFICIAL CAMPUS FIGURES EIGHTY-PERCENT OF OUR STUDENTS RECEIVED SOME FORM OF FEDERAL FINANCIAL ASSISTANCE DURING THE 1984 - 85 SCHOOL YEAR. AN ESTIMATED FIFTY-PERCENT OF THESE STUDENTS ARE DIVORCED, SINGLE HEAD-OF-HOUSEHOLD WOMEN. MOST OF THE STUDENTS THAT RECEIVE FINANCIAL AID WOULD AGREE THAT WITHOUT SUCH AID HIGHER EDUCATION WOULD BE AN "IMPOSSIBLE DREAM".

FORTUNATELY, I RETURNED TO ERIE COMMUNITY COLLEGE AFTER WORKING AND BEING EMPLOYED. I STRONGLY FEEL THAT IT DOES NOT MAKE SENSE TO ME THAT STUDENTS WHO ARE TRYING TO GAIN SKILLS AND TRAINING SHOULD HAVE THEIR FOOD STAMPS AND ASSISTANCE TO THEIR FAMILIES CUT AT THE SAME TIME THEY ARE INCURRING ADDITIONAL EXPENSES SUCH AS CHILD CARE, BOOKS, TRANSPORTATION AND SUPPLIES.

SINCE I AM ONE PERSON HERE TODAY, I FEEL PRIVILEGED TO PRESENT MY VIEWS AND I THOUGHT IT WOULD BE USEFUL TO HEAR OTHER QUOTES FROM STUDENTS ON MY CAMPUS.

GAY-YVONNE POTTER, NON-TRADITIONAL STUDENT
RESPIRATORY THERAPY - SECOND YEAR
STRAIGHT A STUDENT (4.0 GPA)

"I WAS A WAITRESS FOR EIGHTEEN YEARS...I'M DIVORCED...RAISED THREE CHILDREN...NEVER RECEIVED CHILD SUPPORT...BECAME DISABLED. SPENT TEN MONTHS OF HELL, HUMILIATION AND DEGRADATION ON WELFARE...WENT TO OCCUPATIONAL VOCATIONAL REHABILITATION (OVR)...THEY URGED RE-EDUCATION. WITHOUT THE FEDERAL FINANCIAL ASSISTANCE THERE WOULD BE NO CHOICE OF 'SINK OR SWIM', I WOULD SINK."

SHARON B. SCHIBLER, NON-TRADITIONAL STUDENT
CRIMINAL JUSTICE - SECOND YEAR
STRAIGHT A STUDENT (4.0 GPA)

"IF ANY OF THE FEDERAL FINANCIAL AID PROGRAMS ARE CUT, THE FOUR PEOPLE LEFT AT HOME WITH ME WOULD ALL BE ON WELFARE. WITHOUT THE FINANCIAL AID WE WOULD HAVE TO COLLECT WELFARE AND FOOD STAMPS BECAUSE THERE IS NO OTHER INCOME COMING INTO THE HOUSE. BECAUSE OF MY UNIQUE SITUATION, WHERE MY HUSBAND IS ALSO A STUDENT AT ERIE COMMUNITY COLLEGE, DEFINITE CHOICES WOULD HAVE TO BE MADE. WHOSE MIND WOULD BE VOIDED FOR EDUCATION?"

KATHLEEN HEMBERGER, PROGRAM DIRECTOR
RIDGE AREA ASSOCIATION FOR RETARDED CHILDREN
SEBRING, FLORIDA CLASS OF 1977, LIBERAL ARTS, SOCIAL SCIENCE

"UPON WALKING THROUGH THE DOORS OF ERIE COMMUNITY COLLEGE...MANY NEW ADVENTURES OPENED TO ME. AS TO MOST STUDENTS, COLLEGE WAS FOREIGN TO ME AT THE TIME. I SHARED THE SAME QUESTIONS AND CONCERNS THAT OTHER STUDENTS HAD AS THEY BEGAN THEIR COLLEGE LIFE. WHAT SHOULD I GO TO SCHOOL FOR? WILL I SUCCEED? WHAT DOES MY FUTURE HOLD FOR ME? ALL OF THE ANSWERS HAVE COME TO LIFE WITH THE AID OF ERIE COMMUNITY COLLEGE."

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CLARICE PARRAG, PH.D., PROFESSOR, BIOLOGY
 ERIE COMMUNITY COLLEGE
 CLASS OF 1966, MEDICAL LAB TECHNOLOGY

"MY EDUCATION BEGAN AT ECC SORT OF AS A 'REBOUND' HAVING UNSUCCESSFULLY COMPLETED MY FRESHMAN YEAR AT A COLLEGE AWAY FROM HOME. I FELT VERY FORTUNATE ECC WAS WILLING TO GIVE ME A SECOND CHANCE AT AN EDUCATION WHILE OTHER LOCAL COLLEGES WOULD NOT. THAT WAS THE START OF MY 'MEANINGFUL EXPERIENCE AT ECC'."

ROSALIND MECCA
 CONSULTANT, NIAGARA COUNTY YOUTH BUREAU
 CLASS OF 1981, BUSINESS ADMINISTRATION

"I WAS 35 YEARS OLD, I HAD BEEN MARRIED SINCE AGE 19. I WAS THE MOTHER OF TWO GIRLS AGE 13 AND 10 RESPECTIVELY, AND HAD NOT WORKED OUTSIDE THE HOME IN 14 YEARS...THE TIME WAS RIGHT TO RETURN TO THE WORKFORCE ON A PART-TIME BASIS. I TRIED TO GET A JOB—MEANING I WENT FOR SEVERAL (PAINFUL) INTERVIEWS... MY RUSTY AND OUTDATED SKILLS WERE NOT WHAT EMPLOYERS WERE LOOKING FOR...I KNOW I NEEDED TO UPDATE MY SKILLS: WHERE TO GET HELP WAS THE QUESTION...I WAS NOT READY TO COMPETE WITH 18/19 YEAR OLDS IN SECRETARIAL SCHOOL...I ALSO NEEDED A PROGRAM OF STUDY THAT COULD BE ACCOMPLISHED AT ODD HOURS: I.E., VERY EARLY IN THE MORNING OR IN THE EVENING (RAATHER THAT NINE TO FIVE)...I DECIDED TO TAKE A COURSE AT ECC/NORTH...JUST TO SEE IF I LIKED IT...A TYPING COURSE AT 8 O'CLOCK IN THE MORNING DURING THE SUMMER, WHEN...THERE WOULD BE FEW TRADITIONAL STUDENTS AROUND 'TO SEE ME'...THE WHOLE...EXPERIENCE WAS NOT ONLY EDUCATIONALLY BENEFICIAL, BUT ALSO DEVELOPMENTALLY BENEFICIAL...THE CLASSROOM SIZE IS SMALL...THE INSTRUCTORS' ATTITUDE TOWARD OLDER OLDER NON-TRADITIONAL STUDENTS...IS POSITIVE...REENTRY WOMEN HAVE SOME DEFINITE PROBLEMS AND MOST OF US NEED SOME EXTRA UNDERSTANDING IN THE BEGINNING...TO OVERCOME OUR INSECURITY REQUIRES MUCH POSITIVE REINFORCEMENT...THIS WAS ONE OF THE BIGGEST PLUSES AT E.C.C./NORTH...WHEN I GRADUATED...I KNEW I WAS READY TO GO ON AND FORGE A PATH FOR MYSELF. LONG SINCE HAVING CHANGED MY CAREER

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EXPECTATIONS FROM A PART-TIME TYPING JOB TO A POSSIBLE MANAGERIAL POSITION, I COMPLETED THE BUSINESS ADMINISTRATION PROGRAM AT E.C.C./NORTH. WITH MY NEW KNOWLEDGE AND SELF CONFIDENCE IN TOM, I ENTERED STATE UNIVERSITY COLLEGE AT BUFFALO, GRADUATING SUMMA CUM LAUDE WITH A B.S. DEGREE IN BUSINESS STUDIES... THIS WOULD NOT HAVE BEEN POSSIBLE WITHOUT MY POSITIVE EXPERIENCE AT E.C.C.... PRESENTLY, I'M A GRADUATE STUDENT AT SYRACUSE UNIVERSITY...MY MASTER'S DEGREE WILL BE IN CONTINUING ADULT EDUCATION FOR WHICH, NEEDLESS TO SAY, I HAVE A SPECIAL INTEREST...FREQUENTLY AND OFTEN FONDLY, I REMEMBER MANY OF MY INSTRUCTORS FROM E.C.C....ALTHOUGH I'M HAPPY AT MY PRESENT JOB, I KNOW I'M STILL GROWING PROFESSIONALLY BUT ALL IS BASED ON THE VERY SOLID AND POSITIVE FOUNDATION THAT E.C.C. AND I BUILT TOGETHER."

I STRONGLY URGE THIS COMMITTEE TO LOOK VERY CLOSELY AT THE COSTS THAT ARE FIGURED INTO STUDENT BUDGETS OR LIVING ALLOWANCES. FOR STUDENTS ON MY CAMPUS THE LEVELS THAT ARE FIGURED IN TODAY FOR STUDENT AID ARE NOT A REAL REFLECTION OF THE TRUE COSTS BUT FOR THE STUDENTS I WORK WITH IT MAKES THE DIFFERENCE.

EDUCATION MUST BE THIS NATION'S NUMBER ONE PRIORITY. IT IS CRITICAL TO EMPLOYMENT, IT IS CRITICAL TO OUR COMPETITIVE ADVANTAGE, IT IS CRITICAL TO THE FUTURE OF OUR COUNTRY. HOWEVER, WITHOUT FEDERAL SUPPORT THE HOPES AND DREAMS OF MY FELLOW STUDENTS, YOUR CONSTITUENTS, AND FUTURE GENERATIONS WILL BE LOST FOREVER. IT IS UPON THIS BASIS THAT I URGE EACH OF YOU TO SUPPORT THE FULL RE-AUTHORIZATION OF THE 1965 H.E.A. AT LEVELS THAT WOULD EXPAND EXISTING PROGRAMS.

Senator STAFFORD. Thank you very much, Ms. Cassidy, for a very good statement.

I see that one of the most valuable members of our committee, and a man, I know, over the years has been dedicated to education in the other House where he and I both served for a time, Senator Paul Simon, is here.

Paul, I made a brief statement. If you have any you care to make, this would be a good time.

Senator SIMON. I do not, other than I am pleased to be serving under your leadership. I have great respect for the Chair of this subcommittee and I join you in viewing this as an area that is extremely important.

We do not have television cameras and the other things a lot of committees are having right now, but we are really talking about the future of our country right here. There is no subject that is more important, and I am pleased to join you in this effort.

Senator STAFFORD. Thank you very much, Paul.

The next witness will be Mr. Dan Jordan, who is a student at UCLA, from Washington, DC.

Mr. JORDAN. Thank you very much, Senator Stafford. Once again, my name is Dan Jordan. I go to UCLA; I am an undergraduate. I have been supporting myself through college for the past 3 years with the indispensable help of the financial aid provided to me by the Federal Government under title IV of the Higher Education Act.

I want to thank this committee for the chance to express my profound gratitude for the financial assistance I have been given—the Pell grants, the national direct student loans, the college work-study, and the guaranteed student loans.

I can sit before you and list what I have accomplished at UCLA. I am on the UCLA debate team, I am a college honor student, I have done this and that in student government. But none of these things would have been possible for me to achieve without the financial assistance I have received.

The financial aid programs of the Higher Education Act have been my personal window of opportunity into the American dream.

My parents eloped when they were 17 and they had me when they were 18. They never got the chance to go to college. My dad supported us by selling vacuum cleaners door to door. Although my parents were poor, I had a rich childhood.

My parents have told me that I started picking up the reading of words by myself at age 3. At 6 years old, I was reading books at the 10th grade level. At 9 years old, I was reading through Einstein's theory of relativity after school on my own.

I had a tremendous level of learning, although I did not relish being regarded as a brain from kindergarten throughout high school. In many ways, I was ready for college years before I got to it.

Since my parents went through the school of hard knocks instead of through college, I do not think that they quite appreciated how desperately I needed to get to college to fulfill my intellectual potential.

For years before college, my mind sleepwalked through the lack of challenge I encountered in my junior high and high school class-

es. I kept on keeping on, waiting for the better life to come in college.

My dad, however, had always hoped that I would go into sales with him and did not perceive that college meant something more to me than a 4-year vacation from real work. My dad expected me to major in something business-like if he was going to pay for my education. Instead, I went to college and fell suspiciously in love with English literature and the undiscovered country of William Shakespeare.

After 2 years of irreconcilable disagreement with my dad, I dropped out of college. I planned on working and saving enough money to put myself through college, but I had no idea how tough it was going to be.

I sold, or I rather tried to sell children's books door to door in the coal mining country of Pennsylvania to miners who happened to be on strike. Later, I worked a graveyard shift alone in an aluminum mill, guarding the mill from breakins and making sure the ovens did not overheat and spill their molten contents.

I was making less than \$5 an hour and was barely making ends meet. I thought I was in hell as I worked alone in the fire of that mill. I thought I would never get out of there and get back to college. I could not pay for college on my own even if I got into a State college.

This went on for 2 years. If UCLA had not had the title IV programs to offer me, I still would be back in the hell fire of that aluminum mill, hitting myself to keep myself awake, lest I lose my job. I still have had to work 20 hours a week to be able to pay my way through school, but I have never complained.

Now, when I am awake at 3 in the morning, it is because I am writing a paper and not because I am patrolling an empty factory. I never will be able to forget my experience or the thought that I could have as well spent the rest of my life tending ovens of bubbling metal. I fear for the bright little children growing up right behind me who will need help to get through college, but may not get it, because we are the future leaders of the United States of America.

I consider the Higher Education Act the Emancipation Proclamation Act of the latter half of the 20th century. May you consider it as well as you consider the fate of these children and ensure that the Higher Education Act remains intact with us into the 21st century.

Senator STAFFORD. Thank you very much, Mr. Jordan, for a very good statement.

Now we will go, Michael Meehan, to you. You are a student at Bates College and from Raynham, MA.

Mr. MEEHAN. Thank you, Mr. Chairman. I would like to thank the committee for the opportunity to discuss with you one of the most important issues to the security of our country, which is education.

At a time when tremendous pressure is placed on the Congress by the President to reduce the deficit, to raise defense spending, cut taxes, and slice social spending, I find comfort in the fact that this committee is taking time to focus on education in the detail that it deserves.

I am a senior at Bates College. My family situation is one in which my parents have been divorced for 18 years. My father gives no support to the family. Since college, my two sisters and I all go to full-time residential colleges, while my mother is attending Stonehill College in a part-time program in advanced nursing.

So, essentially, she must foot the bill, which is about \$40,000 in tuition. She makes just under \$25,000. Therefore, it would be economically unfeasible for any of us to attend school were it not for Federal programs.

I have received the full range of Federal aid, from the Pell grants to the direct student loans, as well as my sisters. I will have amassed a debt of probably \$12,000 in my 4 years of undergraduate study.

But I want the members of the committee to know, as was stated before, that despite what Secretary of Education, William Bennett, and former OMB Director David Stockman would have you believe, the money was not spent on a car or stereo or 3 weeks at the beach.

In addition to my work-study job, I work four part-time jobs at school, which are about 35 to 45 hours a week, and maintain my full academic load with a B-minus average. If it were not for a combination of the Federal programs, a Massachusetts State scholarship and generous support from the Bates Scholarship Student Aid Program, I would not be able to attend a school the caliber of Bates College.

I feel extremely fortunate for this opportunity to obtain this education. In my study of political science and education, I have learned that our Founding Fathers had a determined interest in the concept of educating the citizens of our country.

There are many of us who would like to see the images of these early freedom fighters to be used to promote peaceful concepts—concepts that will protect the real security interests of our country.

As a historian noted about Thomas Jefferson, an education was too important to be left to chance or reserved only for those who, by circumstances of wealth, can afford it. "In a government of free and equal men, education itself was to become not only a privilege, but a right." I feel that this quote states what role the Federal Government should have in the education of its citizens.

I would like to thank the chairman and this committee for inviting me here to testify before you today. I hope that this testimony will help the committee to write farsighted legislation.

Senator STAFFORD. Thank you very much, Michael.

The next witness will be Ann V. Arthur, who is a student at Yale University and from Brooklyn, NY.

Ms. ARTHUR. Thank you, Mr. Chairman. It is both an honor and a pleasure to testify on behalf of Federal student aid programs.

There exists in our country a very strong public interest in the future of higher education in the United States. Most Americans realize that our Nation's greatest resource is the minds and talents of its young people.

I feel that my own personal educational career and family history exhibits both the present advantages and disadvantages of the various forms of Federal student financial aid. I am the fifth of seven children, the last of whom entered college last week. We

have all pursued a postsecondary education at a wide variety of institutions—2-year and 4-year institutions, both private and public, from community colleges to ivy league universities.

My parents immigrated to the United States from Grenada, West Indies, primarily to ensure that their children would have the opportunity to pursue both a secondary and postsecondary education.

My parents are hard-working people. In Grenada, my father was a field hand and my mother tended sheep and goats. Today, my father works over 12 hours a day as a cab driver in New York City and my mother works part time as a dietary aide in a hospital kitchen. We reside in the Bedford-Stuyvesant section of Brooklyn, which is a predominantly black, low-income area.

I entered Brown University in September 1981. At the time, the cost of attendance was approximately \$10,000 a year. By the time I was a senior, the cost had jumped to approximately \$14,900.

I was able to attend Brown using a number of programs, including the GSL and NDSL loan programs, college work-study, summer earnings and Pell grants, as well as private and Brown University scholarships.

While my parents were very supportive, the fact that three of their children were in college at the same time allowed them to only contribute a minimal amount of financial assistance.

My first year at Brown was especially traumatic. In addition to having to adjust to the rigors of college life, my father had been laid off from his job of 12 years. This, in effect, led me to work approximately 15 hours a week while struggling to do well as a pre-medical student.

Four years at Brown has left me almost \$8,500 in debt. I am currently a first-year medical student at Yale University. By the time I receive my M.D., I expect to accumulate another \$60,000 in loans.

I cannot overemphasize the negative effects that the pattern of financing a college education through widespread borrowing has had on students at private institutions. The number of students who are currently on financial aid has also decreased over the number of years that students have become increasingly frightened about accumulating a large number of loans.

In addition, many students are discouraged from even applying to prestigious and costly universities like Brown. Some may argue that this is all well and good, and at least these students have the opportunity to attend some college somewhere.

However, we would be shortsighted if we did not enact policies that recognize the value of diverse interests, settings and institutions. Students need to have the opportunity to choose the institution that allows them to thrive intellectually, emotionally, and spiritually, and to reach their highest potential.

I feel that it is essential that the Pell grant remain central to the wide range of student financial aid programs. Work-study, while a resourceful program, cannot be feasibly increased without making some academic sacrifices on the part of the student.

The increased dependence on loans is also causing many students to pursue career objectives not wholly based on their own personal interest or commitment, but on the extent of their own promissory notes.

It is in the interest of all of us to work toward ensuring that Federal assistance to students is increased in coming years.

It is little short of a miracle that 20 years later, the daughter of a field hand and woman who tended sheep and goats and the granddaughter of an illiterate West Indian woman can say that she is a graduate of Brown University, and is also attending medical school.

I deeply appreciate the chance to testify today. Thank you very much.

Senator STAFFORD. Thank you very much, Ms. Arthur, for a very interesting statement.

Senator Wallop of Wyoming has just joined us. We are delighted you have. Do you have any statement you wanted to make?

Senator WALLOP. No, Mr. Chairman. We are here to listen to witnesses, but I just want to welcome Mr. Row from the University of Wyoming, a school which is not unknown to me by any stretch of the imagination. I look forward to your statement and thank you for coming.

Senator STAFFORD. Mr. Row is the next witness, so we will be very glad to hear from him. We appreciate your being here, Senator Wallop.

Mr. Row. Mr. Chairman, distinguished members of the subcommittee, thank you for inviting me to testify today. My name is Jim Row. I am a senior majoring in finance at the University of Wyoming.

I compliment this subcommittee for bringing in students like myself to testify about the firsthand experiences with the financial aid process.

Being a student, the problems of financial aid are fresh in my mind. This is the first year I have received any Federal financial aid; in the past, I have only received GSL's. I would like to explain from a student's viewpoint what is involved in the frustrating financial aid process and offer some suggestions for revision.

The process is started by filling out the necessary financial aid application forms, one for federally sponsored financial aid and the other for the university. These are used to determine the need for financial aid.

The single most important factor on the financial aid form deals with whether the student is considered dependent or independent. Three points determine if you are dependent. They are, one, being or have been claimed on the parents' previous and current year's income tax form; two, living at home more than 42 days out of the year; three, if the student receives more than \$750 worth of parental support.

If the answer is yes to any of these questions, the student is considered dependent. If not, the student can be considered independent. The flow of paperwork and redtape that follows this initial application is mind boggling. Pell grants are where most of the paperwork builds up for the student, university, and Federal Government.

The grant causes the schools to make several additional mailings per student to verify such items as nontaxable income and support from parents. I had two separate mailings sent to me requesting proof that I was not claimed on my parents' income tax form. One

was an affidavit signed by both myself and my parents which had to be notarized, and the other was an additional request for a copy of my parents' income tax return.

In my opinion, the financial aid process should be simplified and the limits of the NDSL and the GSL raised. If the students are allowed to borrow more, there will be less strain on students and families during the school year.

The \$2,500 per year limit on GSL's has been set since 1965 and, as everyone knows, the cost of attending college has increased manyfold since then.

As my second recommendation, I feel that the Pell grant system should be slowly phased out contingent upon a gradual increase in the loan limits. This idea has several advantages. One, it makes the student more responsible for money borrowed during the time he is in school and, two, the Federal Government has its money returned with interest.

This idea would not affect one income level over another because financial aid would still be based upon need. Providing less grant-based aid and increasing the loan limits would also alleviate the notion of giving money away.

Under the current situation, becoming independent, not working and staying as poor as possible without supplementing educational costs is encouraged. Last year, for instance, I was penalized for trying to help myself by working a summer job and working part time through the entire school year.

I do not believe that a person should be penalized for helping themselves when going through school. I also believe that financial aid should be determined more by the States than the Federal Government. The States have a better feel for what is needed within their respective systems. The Federal Government should be used strictly as a guarantee basis for defaulting students.

To solve some of the problems of defaulting students, changes must be instituted which will deter abuse of the system. It seems like the best way to do this would be to give enforcement jurisdiction of the defaulted loans to the Internal Revenue Service. In so doing, there would be an agency actively involved in tracking down the students who choose not to pay back the loans.

Mr. Chairman, I do not profess to be an authority on these issues and proposals for change which I have just mentioned. They might not be the best solutions for any number of reasons, but I sincerely want to let you know that students like myself are not satisfied with the current state of affairs and realize that the Federal financial aid system is in dire need of change.

I do not think students should have to go through this seriously flawed system. It is time consuming, frustrating, and discouraging. In 1983, I went into the University of Wyoming financial aids office to ask why I had not been granted more than a GSL.

The financial aids officer responded that my parents possessed too many assets. Then she said that maybe they should sell some of these assets to send me to school. I was shocked that anybody would place such an ultimatum on me. I am going to college to satisfy my own goals and I do not believe that an individual's parents should have to jeopardize their own financial security.

This coming year, my parents will have three out of three children enrolled in college. Where does one draw the line between parental obligation to the children and their own financial security?

In conclusion, I have sincere hope that the problems I have outlined here today will be taken seriously. Bettering oneself through education has long been a goal of this nation. To prohibit anyone from pursuing this goal defeats the ideals of this Nation and jeopardizes our most valuable resource.

Thank you.

[The prepared statement of Mr. Row follows:]

TESTIMONY ON REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

TO: Senate Subcommittee on Education, Arts and Humanities
 FROM: James C. Row, Student, University of Wyoming
 DATE: September 6, 1985

Being a senior at the University of Wyoming, I have had my share of problems with the Financial Aid Process. The biggest problem is dealing with the volume of paperwork. The process starts in January and ends, if everything runs smoothly, at the time of registration which is the first week in September. It is a nine month ordeal with hurdles every few weeks. The process is started by filling out the necessary Financial Aid Application forms, one for federally sponsored financial aid and the other for the University of Wyoming which are used to determine the need for financial aid. The single most important factor on the financial aid form deals with whether the student is considered dependent or independent. Three questions determine if you are dependent. They are being or have been claimed on their parents previous and current years income tax form, live at home more than forty-two days out of the year, and if the student receives more than \$750.00 worth of parental support. If the answer is yes to any of the above questions, the student is considered dependent. If not the student can be considered as being independent. Being independent is much more advantageous because a student's income is usually low which makes his or her need very high.

After your need is determined, the process of being considered for all the different types of financial aid begins. One of the best financial aid programs, in my opinion, is the College Work Study program that

is Eighty percent funded by the federal government and Twenty percent by the University. It gives a student the opportunity to provide part of their own aid by working part-time on campus or in a private nonprofit organization. It is a positive program insulating the federal government and the University to get something of value for their investment. Next are the two types of loans you may obtain. NDSL (National Direct Student Loan) and GSL (Guaranteed Student Loan). They are very different structurally, the NDSL is from the federal government and the GSL is through private financial institutions with a loan limit of \$2500.00 per year for undergraduates.

Fell Grants are where most of the paperwork burden builds up for the student, the University, and the federal government. The grant causes the University of Wyoming Financial Aids Office to make several additional mailings per student to verify such items as non-taxable income and support from parents. I, myself, had two separate mailings sent to me requesting proof I was not claimed on my parents income tax form. One was an affidavit signed by both myself and my parents which had to be notarized, and the other was an additional request for a copy of my parents income tax return. The tax return was asking too much since I had already signed the affidavit and I have not been claimed dependent since 1983.

In my opinion, the avalanche of paperwork and bureaucratic red tape encountered to receive financial aid should be simplified and the limits of NDSL and GSL raised. If students are allowed to borrow more, there will be less strain on students and families during the school year. The \$2500.00 per year limit on GSL has been set since 1965 and as everyone knows, the cost of attending college has increased dramatically since then. In 1965 a person could cover all expenses with a GSL. Today the limit, after being

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cut by insurance and the origination fee, drops to approximately \$2,000.00 which hardly covers the cost of tuition. Every year the cost of education rises while the loan limits and grants remain at the same level. Something has to be done to increase the loan limits. My feelings are that the Pell Grant system should slowly be phased out while the loan limits are increased. This is a far better plan than to promote a welfare atmosphere among college students. This idea has several advantages; it makes a student more responsible for the money borrowed during the time he is in school and the federal government has its money returned with interest, and less headaches than dealing with the Pell Grant Aid Program. This idea will not affect one particular income level over another because financial aid would still be based on need. Providing loans grants and higher loan limits will alleviate the notion of giving money away. Under the current situation becoming independent, not working, and staying as poor as possible without supplementing your education costs is encouraged. Last year I was penalized for trying to help myself by working a summer job and working part-time through the school year. I believe a person should not be penalized for helping themselves when receiving financial aid.

Finally, I believe financial aid should be determined more by the states than the federal government. The federal government should be used strictly on a guarantee basis for defaulting students. I have every intention of paying back every cent I borrowed and believe most students feel the same way. Students are not asking for handouts, only a loan for our future.

Senator STAFFORD. Thank you very much, Mr. Row.

The final witness will be Tracy Chamberland, who is attending Roger Williams College and is from Proctor, VT, which happens to be only 7 miles from where I was born and grew up, so a special welcome from me to you.

Ms. CHAMBERLAND. Thank you, Mr. Chairman. First, I would like to say that I am very honored to be here today.

After my senior year of high school—I graduated in 1983—I wanted to pursue my lifelong dream of becoming an architect. However I was not sure if I would really like the field, as I had never had any drafting classes in high school. That is why I decided to go to a 2-year technical school.

Once I had graduated from there in 1985, I knew that I wanted to pursue the Bachelor of Architecture. So I applied to Roger Williams College in Bristol, RI, and was accepted.

In May I found out that I was not going to get any financial aid from the school. This is a \$12,000 school, and I am paying for college myself; I have been the past 2 years because my parents just can't afford it.

So I wrote to several student loan companies around the United States to see if I could take out some sort of student loans other than VSAC. They all wrote back to me and said that they just offered student aid to students within their own States.

So then I turned to VSAC again for more information because all I was receiving was the GSL. The person I talked to at the Vermont Student Assistance Corp. said that there probably wasn't any hope for me and that I should just decide not to go to school. That really discouraged me.

I wrote to the two Senators from my State, Senator Stafford and Senator Leahy, and they both responded with some helpful information for me. Senator Leahy gave me the name of a lady to contact at VSAC. I talked to her and she ended up calling my school. Within a matter of a week the school offered me some financial aid.

Ms. CHAMBERLAND. Now, I was receiving the NDSL, a college scholarship, and I also had a Pell grant and incentive grant from my State. However, I was still short about \$5,000 for the year.

The only other alternative was to have my parents take out a parents PLUS loan for \$3,000. My parents really could not afford it, so I called up VSAC to find out if I could take out a PLUS loan in my own name. They said that I was not able to because I was a dependent.

So I am still at odds. My college bills are paid for this semester. I am not sure what is going to happen next semester. I cannot borrow any more money, since I have already borrowed the maximum amount for this year.

My parents are in the process now of trying to take out a PLUS loan. I am not sure if they are going to get it, but if they do, I will be able to continue on at school. My feelings are that the GSL loan limits should be increased. You have been able to borrow \$2,500 for the past 13 years, so the \$2,500 that you can borrow now is only worth \$991 1972 dollars.

Thank you.

Senator STAFFORD. Thank you very much; thank all of you. I think I might ask one question of all of you and maybe each one of you might respond to it. First, as a footnote I would say that the chairman of this subcommittee, and I think a majority of its members, would like to be in the position to very significantly expand the programs of the system for college students.

But you should have in mind that it has been a scratching, nail-biting fight on the part of this committee to keep the programs we have got over the last 4 years, and that that has been the best we have been able to do, and we have really had to fight very hard to do that.

I guess my one question to all of you, and I will start with Cassidy and go down the line, would be, do you feel reasonably satisfied with the education you are getting, and has it been worth it?

Ms. CASSIDY. I am very definitely satisfied with the education that I am getting, but without that first step of the financial aid, I would not have begun. When you have got 80 percent of the students on your campus receiving some form of that financial aid, without it there would be no school, there would be no education. We would have an uneducated population.

I do not believe that the current administration wishes uneducated people.

Senator STAFFORD. Well, I think you have responded to what I said, that we felt it was so worthwhile to keep the programs we have got that this subcommittee has done everything it could to keep them in the face of considerable opposition.

Mr. Jordan.

Mr. JORDAN. Well, one of the advantages of putting yourself through school is that you make sure you get your money's worth, and I have really felt that way. One of the things I would like to bring up about the financial aid is that I believe that every student that receives it does not have the sense that they are getting a free ride.

They have the sense that, boy, I am going to have to pay this back one way or another. I think instead of making the students less concerned about their future, it makes them more concerned, and it also has heightened my sense of my participation in the democracy.

I feel much stronger that America believes in me enough to lend me money so that at a future time I can participate in the system. I would say that that is one of the things that really needs to be considered. The financial aid programs do, I think, bring students together as a part of the democracy.

Senator STAFFORD. Thank you.

Mr. Meehan.

Mr. MEEHAN. I think you have made a very good point, Mr. Chairman, the committee has worked very hard to keep these programs alive. I think in combination with that Senator Simon has made a key observation that there are no TV cameras here and education is not a big issue that is going to grab a lot of attention—I think therein lies the problem.

Education is not seen as something that people should be rolling up their sleeves and fighting hard for. Our country is dependent

upon the education of its citizens, and that is something that we need to bring to the foreground.

I feel sort of helpless here because I know that this committee is working hard to do that. I feel that I am making my case by expressing that to those who know how vital it is to quality education for deserving students. I am aware of that, so in a sense this is sort of an exercise in frustration. I do not know where to turn to.

So I do feel that I am very fortunate that I have received the quality of education I have, and it is because of a combination of several things—the Federal Government, the State government, my college, my family and my own resources. So, with those things, I have been able to get a quality education. I hope that you will carry this message to your colleagues and continue to support higher education.

Senator STAFFORD. Thank you.

Ms. Arthur.

Ms. ARTHUR. Senator Stafford, I honestly believe that with the help of Federal assistance and my own parental resources and my own summer earnings, I got the opportunity, and it was a good opportunity, to attend one of the finest colleges in the Nation, Brown University.

However, I think that on behalf of many low-income students who are very much discouraged by a lot of the media attention surrounding proposed cuts in student financial assistance, very many students from my own financial background do not think it is worth working several jobs to attend Brown University or that it is worth borrowing \$8,500 to go.

I do not think that it has ever been considered any sort of a handout. I think I feel very much indebted to my country for allowing to have this type of opportunity, and I feel it is an investment that I will definitely repay, hopefully primarily in the form of being a role model for many other black teenagers in the country to help them further their studies, also.

Senator STAFFORD. Thank you very much.

Mr. Row.

Mr. Row. Yes, I do believe I am getting an adequate education. I wish I were able to obtain more loans. I come from just a very strictly middle-class income—nothing special. My dad is retired military; my mom works part time.

I am not a wealthy person by any means. I am, like I just mentioned earlier, very middle class, and that is a status that is definitely being hurt by today's financial aids process because if you border on that family contribution limit—I believe it is \$30,000 right now—my parents fall below that.

But having a home or anything else, and considering the assets, if you have cars, homes, or even a moderate amount of money in a savings account or anything else, your assets build up. And with today's inflated house prices and everything, you are looking on the financial aid forms at assets, even with a moderate home, of over \$100,000.

The way a lot of financial aids officers—they look right at that bottom-line figure and do not count in income and other factors such as in our own situation, three out of three children going to school.

Like I said earlier, I just wish in my own condition I was able to borrow more. That is about all I have to say this morning. Thank you.

Senator STAFFORD. Thank you very much.

Ms. Chamberland.

Ms. CHAMBERLAND. Since I am putting myself through school, I have never taken it for granted. I am taking advantage of my education and getting the most out of it that I can.

I would be willing to borrow as much money as I could to go through my 5 years of school. I know I am going to be very much in debt once I graduate, but to me, it is definitely worth it to get the education I want, and it is worth the money that I have to put into it.

Senator STAFFORD. Well, thank you all very much indeed. The chairman and this committee are well aware that with a few exceptions, students do not use aid to buy stereos or automobiles. We know you work hard; we know you are doing your best to get all you can out of education. That is what we want and what the Nation needs.

We know that, to put it differently than OMB might, nationwide 91 percent of the students who borrow money repay it. Since committee chairmen are inclined to get a little parochial at times, I will say that in Vermont the default rate on student loans is only 4 percent, which is better than Cadillac can claim for GMAC in the sale of Cadillac cars. [Laughter.]

That is pretty good. If the whole Nation could reach that, I think we would hear no more outcries about default on student loans.

Senator Simon.

Senator SIMON. Thank you. First of all, I agree with the chairman when he says we are struggling to maintain the status quo. That, frankly, is one of the things that is wrong. We have got to be dreaming because there is no such thing as the status quo; you are either slipping back or moving ahead in the kind of country and nation we want to be building.

If I may ask two of you specifically—Dan Jordan, you mentioned that you were in love with English literature and the undiscovered country of William Shakespeare. Do you intend to be an English teacher, or what are your goals?

Mr. JORDAN. Well, the problem is I have too many interests and they all compete with one another. I cannot tell you today whether I want to go on to get a doctorate in education or maybe a master's in public policy or law school.

But I do know I see myself as having many interests and I feel that had I not been able to pursue excellence in education that financial aid programs allowed me to, I would pretty much be in the mentality of the people that I worked with, which is not anything that I put down, but I hope that my testimony made clear that I have a potential that I really feel inwardly compelled to reach.

I always think of the motto of the United Negro College Fund—a mind is a terrible thing to waste.

Senator SIMON. If I may be a little more specific, the Grace Commission has suggested that we ought to deemphasize the loan side and emphasize the grants more in student aid. As you look at what

you want to become, are you taking a look at what the pay is rather than what you really enjoy doing?

Mr. JORDAN. Well, I am really glad you brought that up because one of my concerns has been the whole matter of accumulation of loans, and with the tremendous increase, when you look at perhaps graduate school, coupled with the loans that one has accumulated as an undergraduate, in a lot of ways it could dictate what a person would be interested in going into.

For example, I am very interested in the future of higher education, and my involvement with financial aid has made me more so. But I am not sure if I went on to pursue a career in higher education, maybe in a research association like the Association of American Colleges where I am an intern right now—I do not know if maybe I should not just go the quick and easy route and go to law school and try to make a lot of money.

I think that is one of the things that needs to be considered here. What are the long-term ramifications of financial aid policies? Are we leading to the yuppy-ization of America due to these policies, by which we have too many professionals?

I think that consolidation of loans needs to serve a very important place in your agenda, and I think that what you are saying is a tremendous concern of mine. I would like to be able to teach, but I do not know if I will be able to afford to teach. I might have to go the professional route.

Senator SIMON. I think the point you make is one we have to consider as we put this together. We need good Shakespeare teachers as much as we need good lawyers and we should not be forcing you into a decision to become a lawyer because of the loans that you have.

Ann Arthur, as I read your statement, by the time you get out of medical school you are going to have about \$70,000 worth of debts, and that is fairly typical for a graduate of medical school.

You may very well face a choice between working in some suburb where there is already plenty of medical attention, but you are going to get paid well, or a central city area where you are going to get paid very little. But you have this \$70,000 debt hanging over you.

Is that going to be part of your decisionmaking on where you go?

Ms. ARTHUR. Well, I think to be perfectly honest with you, I know basically where my commitment lies and I know basically what I want to do with my life, and I do want to work in an underserved community.

I think what comes into play is at what point in my career will I be able to do that because of financial constraints that surround me. It is a problem; it is a very overwhelming. I think for many students it plays a very major role in what they choose to do and it causes students to perhaps go and practice medicine in the suburbs rather than go where they are needed.

I think just because of my own sense of commitment, I know where I am going to serve. It is just at what point in my life will I be able to do that, but it is a \$70,000 burden and cloud that basically hangs over you while you do attend medical school. It is a very discouraging thing to have surrounding you. It really takes away a

lot of the flexibility and freedom that you would like to have in your educational system.

Senator SIMON. I do not have any good, easy answers, but, in fact, because of the way we structure loan programs, if you were to say what is needed in our society, clearly it is in the inner city area or the area of rural poverty.

Yet, we structure our student assistance programs in such a way that at least initially, you are going to go out where you can get that paid off; you are going to go to an overserved area rather than an underserved area.

Ms. ARTHUR. Right. More than likely, that would have to happen. I will owe \$70,000 that I have to pay back, and that is an unfortunate consequence of the emphasis that is being placed on people borrowing.

It is nice to have the option to borrow. I would definitely borrow rather than not attend school, most definitely. But I think there are significant disadvantages to the emphasis being placed on students constantly borrowing, particularly for students who do want to go on to graduate school.

It is a tremendous sacrifice that ends up really hurting our country and not helping our country.

Senator SIMON. I agree. I thank you all for your testimony. Thank you, Mr. Chairman.

Senator STAFFORD. Thank you, Senator Simon.

Senator Wallop.

Senator WALLOP. I might observe to my colleague from Illinois that at least around the Senate, we have a great deal more urgent need for more Shakespeare students than lawyers. It is not that we need them just as much; we need them a hell of a lot more. [Laughter.]

Just pursuing a thought that Senator Simon raised about how the burden of the loan may dictate the direction of your life, it seems to me that that might be something the country could do on the other end of the spectrum. In point of fact, it could lift that burden of the loan in return for a commitment to 5, 7, or 10 years' practice in an area that was more important. You get so you are overloading it in another peculiar direction, I think, if you go that way.

But I am concerned about something that you have said, Jim, and I will ask others if they would comment on it. I had a daughter who held a 40-hour-a-week job all during the time she was at Texas Christian. She graduated with a 3.8 grade average and I was tremendously proud of her. She was not on student loan or student aid, so I did not come into contact with the requirements that you just mentioned that your summer earnings were offset against what was available.

Now, is that, to your knowledge, just the financial aid officer at the University of Wyoming or is that the common practice?

Mr. Row. Let me tell you my situation and it might clear it up. I worked and did well for the summer; I made \$4,500 at a summer job. It was a commission-type job, which meant the harder I worked, the better I would do, of course.

I also worked the entire school year, roughly 20 hours a week. They add all that up. I am independent now. They add all that up

and subtract the projected expenses against my 1984 earnings for what I should receive in the 1985-86 school year.

In my situation, knowing that, I decided not to even work this summer, feeling that I can receive more financial aid than to work. So I am penalized in my situation for working because I have increased my own personal income. Then they subtract what they feel you should provide to your own education. So, yes, I am penalized for working a good summer job and during the year. I do not know about the rest of the students here, but I was.

Senator WALLOP. Ms. Arthur, I think I heard you mention that you had a good summer job.

Ms. ARTHUR. I was at a very expensive institution, ranging from \$10,000 to \$14,000, so my summer earnings were included as part of my need, in addition to the loans I took out, the university scholarship I got, private scholarships. So it was included as part of my package. It did not reduce my overall package, although I never made \$4,500 in a summer.

Senator WALLOP. Does anybody else have an observation?

Ms. CASSIDY. Thank you, Senator Wallop. Not personally for me, but several of the women students on my campus were on welfare, receiving food stamps. They applied for a guaranteed student loan and their food stamps were taken away from them.

Senator WALLOP. The food stamps were taken away or the cost of the food stamps was—

Ms. CASSIDY. The food stamps were taken away from them because they got a guaranteed student loan to help pay for their education, and that was considered earned income as far as the social services department goes.

Even though they needed those food stamps and they are going to school to better themselves and to upgrade their skills, they are penalized for that.

Senator WALLOP. Well, it seems to me that once need was established, you might be able to better yourself in all kinds of ways in which you could as long as the employment was not from daddy.

You know, I do happen to be one who believes that there is a measure of parental obligation to the point of paying, and I think I can say that fairly with the idea that I still have four children at this moment in college—two at the University of Wyoming, which is, admittedly, as a resident cheaper than it would be other places. But the other two have not been; they have been at private universities comparable in fees to Ms. Arthur's case.

Yet, I do believe that their jobs were, in effect, part of their education. Somehow or another, I have a hard time with that concept.

Thank you all very much.

Senator STAFFORD. Thank you, Senator Wallop.

Senator Grassley, we are happy to welcome you here this morning. Do you have any comment or question of this panel? If not, we will go to the next panel.

Senator GRASSLEY. No, Mr. Chairman.

Senator STAFFORD. All right. Let me again express my personal and the committee's appreciation to all of you for coming here and your special cooperation in delivering your papers in 5 minutes.

You know, coming from Vermont and the land of Calvin Coolidge, we appreciate the old saying that brevity is the soul of wit.

Thank you very much.

We will ask our next panel to come forward, and we would appreciate it if our guests could keep their conversation at a low level. The second panel will be Mr. Arthur Powers, parent, of Braintree, MA; Mr. Ronald Dunphy, parent, of Creston, IA; Rev. Richard Henry, parent, of Chester, VT; and Dr. Richard Hull, parent, of Gary, IN.

In view of the fact that Senator Grassley has been able to be here, we will go out of the order in which I have called names in order to allow Mr. Dunphy to go first. His Senator, Senator Grassley, will say a word about him.

Senator GRASSLEY. Well, thank you very much.

Ron, welcome to the committee. I am pleased to be here with the Subcommittee on Education at the beginning of a series of hearings on the reauthorization of the Higher Education Act. I am also pleased to have two constituents who will testify in the course of these hearings today.

One is with us right now, Ron Dunphy, from Creston, IA. He will participate in these panels of students and parents this morning. Then this afternoon, Mr. Chairman, you have Michael Crawford, who is chancellor of the Eastern Iowa Community College district, and he will testify after 2.

Now, for the case of Mr. Dunphy, I would like to point out that he serves kind of a dual role in this hearing of students and parents, since he speaks as both. Not only is he the father of two children in private schools, but he is enrolled as a student at Iowa State University.

His wife, who is employed with an area education agency, will also attend school part time this fall.

Faced with the uncertainty that plagues the agricultural sector of our economy in the Midwest, Mr. Dunphy, who is a farmer, has had to think of future options for providing for his family. So, he has returned to school, utilizing his winter months when he is not actively farming to attend school and to complete his B.S. degree in farm operations.

I think it is clear that not only would his sons' education be impossible without the assistance received under the Student Financial Aid Program, but he would not have the option of a career change due to economic factors outside his control.

So, I am particularly interested in what he might shed upon asset-rich people in agriculture, but income poor or cash poor. That is a situation we have found in a lot of the agricultural communities.

I will be able to be here for 15 minutes, but I hope you will give him a chance to address that if he does not address it in his opening statement.

Senator STAFFORD. We are going to give him a chance to deliver his opening statement right now, Senator. So, Mr. Dunphy, you are at bat.

STATEMENT OF RONALD DUNPHY, PARENT, CRESTON, IA; ARTHUR W. POWERS, PARENT, BRAINTREE, MA; RICHARD HENRY, PARENT, CHESTER, VT; AND RICHARD HULL, PARENT, GARY, IN

Mr. DUNPHY. Honorable Senators, your fellow countrymen owe you their gratitude for continuing efforts to fund the opportunity for higher education. My sons, Todd and Tom, and I thank you for the past opportunities presented in Pell grants, supplemental education opportunity grants, student loans, and university work awards.

Todd and Tom have received \$1,750 in Pell grants, \$4,500 in supplemental education opportunity grants, and have borrowed \$17,500 to date on guaranteed student loans to help fund their studies. My sons have used all of their earnings from 4-H livestock projects, summer jobs, and work award programs to finance their education.

When Tom finishes undergraduate work, both he and Todd will have borrowed \$10,000 each. Their payback schedules after graduation should be manageable, but larger loan payments would probably not be met. Thus, the grants they have received have been a blessing.

A friend, Dr. Patrick Kelly, once said of the failure of educational institutions in these United States that there are students who do not know what they do not know. It is Government's responsibility to give the young people a real chance to find out what they do not know. It is the students' responsibility to grow and learn as opportunities present themselves.

My search for answers to questions began on a farmstead in 1942 near Creston, IA, and continued there through high school. After high school graduation and in exchange for summer farm labor, my father paid for my continuing education at St. Benedict's College in Atchison, KS.

Oh, for the early 1960's prosperous years my father had as a farmer! The 1960's brought me the opportunity to learn in a setting of Benedictine tradition, to campaign for JFK, play football for Coach Schottel, and to drink beer at Ma's, all paid for by the fruits of my labor or my father and mother's farm operation.

Senators, the circumstances that I traveled to school with are nonexistent for many coming students. Our Government aid, along with personal earnings and family contributions all combined, make the opportunity today.

Lacking direction and purpose, I suspended my formal education after 3 years, not knowing what I did not know. I had not yet learned of the emotional and financial resources needed to rear active, gifted boys.

Today, I have a better concept of these educational costs.

My son Todd is a 1985 graduate of St. John's University in Collegeville, MN. My son Tom is a junior at St. Mary's University in San Antonio, TX. The enormous cost of my sons' higher education fell on my family when, as a farmer, my banker and the Des Moines Register reminded me that the farm profit index has not been at or above 100, which would indicate profits, since Todd started college in 1981.

The Des Moines Sunday Register of September 1, 1985 indicates that through July 1985, farm prices are returning 72 cents for each dollar of cost. At the same time, the value of my farm assets has eroded at a record pace, severely limiting my ability to borrow needed capital.

Farm real estate values in my county have declined for at least 3 years, and according to the Iowa Farmer Today for Saturday, August 31, 1985, my farm, on average, is worth 20 percent less today than it was on January 1 of this year.

My wife, Dottie, continues to work full time to bring needed cash flow to the family's budget.

It is not just farmers who need your help. Ask the insurance agent in Mount Ayr, IA if his sales are up or down. Ask the employees and owners of failed banks in the Corn Belt about their incomes and their futures. Ask the farm supplier about his accounts that are tied up in bankruptcy courts. They have children who need financial aid to attend the college of their choice.

I would suggest maybe you ask two people in my community if they need your continued help in funding the education of their children. Joe Weisssharr, whose back was recently crushed in a farm accident and whose son attends Iowa State University, needs that financial help. Mrs. Gerald Miller, whose husband died in a tractor accident, has appreciated your foresightedness while sending her children to college.

I returned to school while continuing to farm because of the uncertainty facing all of us involved in agriculture and agribusiness. Iowa State University's financial aid director, Larry Diehl, helped me apply for aid in January 1985. I received a Pell grant for \$406.

I used this grant money to pay approximately one-half of the cost of attending Iowa State University's winter farm operations program, which I intend to return to. My successful completion of this three-session program will fulfill one-half of the remaining university requirements for a bachelor of science degree in farm operations.

Farm operations is what I want to do. That is what I am doing. If I cannot continue it for myself, I want to do it for someone else.

Financial aid should be available to all these students who, through no fault of their own, cannot afford the cost of higher education. Four thousand years of recorded history has taught us that this young, great democracy needs an educated electorate.

My friend and ex-pastor, Tim Fitzgerald, says knowledge is the only thing worth possessing on this Earth. Last week I read that Leslie Conard is quoted as saying education is knowledge, knowledge is money, and money is economic freedom. In America, education is free.

Well, in America it is not free, but with your continued support, it will be more available. Please look favorably on the reauthorization of the Higher Education Act at the same or a higher level.

Thank you.

SENATOR STAFFORD. Thank you, Mr. Dunphy. Let me say that this committee does look favorably upon higher education and the programs that are supporting it, and that we intend to keep those programs in place, with maybe some corrections suggested by these hearings.

As soon as the economy shows some promise of rising so there will be more money available, we intend to expand the programs of college assistance to make access to American higher education available to more of our young people because we agree with the witnesses who have said that therein lies the future of this Nation.

Since you have to leave, Senator Grassley, did you have any questions you wished to ask at this point?

Senator GRASSLEY. Well, yes. I alluded to what I wanted to ask, but why do I not ask it in a little more depth, if you would permit me to, Mr. Dunphy.

From time to time, I hear quite a few students from farm families encounter problems with the assets test under the Federal Aid Program. As I indicated, it is often a case of being asset rich but cash poor.

Yet, the eligibility requirements in the financial assistance program are not sensitive to the special problems that farmers and small business people face. Could you briefly describe your situation in this regard for the benefit of the subcommittee?

Mr. DUNPHY. I will. My brother and I operate a tenant farm operation. We are attempting to purchase 160 acres together. We farm another 1,000 acres; there is no financial interest in that other than the fact that it generates income for us.

In our farm operation we own approximately \$250,000 worth of farm machinery and another \$200,000 worth of livestock, in addition to the eroding value of the farm. The problem is all of that investment has not generated any income.

I have demonstrated to the Internal Revenue Service and the schools that the boys attend that I have lost money. Without considering a return on the investment, I have still not cash-flowed that business.

The financial aid people at all institutions, as I understand it—at least at Iowa State University, St. Mary's, and St. John's—have great difficulty sorting out agriculture problems, with dollar amounts of inventory or assets; why we cannot just liquidate the cows and the tractor and farm land and spend that on education.

If that were to happen, there is no chance I am going to generate income and be self-supporting.

Senator GRASSLEY. Thank you very much, and thank you for coming.

Senator STAFFORD. Thank you, Senator Grassley.

Now, we will go in the order of announced names, which means, Mr. Powers, of Braintree, MA, you are next.

Mr. POWERS. Thank you, Mr. Chairman.

Senator STAFFORD. Would you bring over the microphone, please, so that our guests in the room will be able to hear and we will have a record?

Mr. POWERS. Thank you again. You have heard an awful lot of emotional testimony here today; this is more of the same. It is an emotional issue when it hits home the way it does for parents and students.

I am the parent of eight children, three of whom are currently in college. In January of this year when ominous noises started to surface from the administration regarding cutbacks in Federal aid to education, quite honestly I started to panic. At that moment in

time, I had four children in college, all of whom were receiving some federally related educational assistance.

At this moment, three of those children are still enrolled full time in undergraduate programs. I still have three more children under age 18 that I feel compelled to educate. I make no apology for those numbers. I admit my obvious responsibility to raise them, to educate them, and willingly accept the task.

At the same time, to force enthusiastic, potentially valuable members of society to receive a lesser education, to not be allowed to attend the school of their choice, the school that may have the best major in their chosen field, or worse, to not pursue that chosen field, in my mind is a terrible waste.

Previous administrations, in their wisdom, established these assistance programs, with the result that a college education came within an affordable range for thousands of students that unquestionably would not have had the opportunity without some type of assistance such as is now available.

In my case, all of my college-age children work during the summer and during school—if possible—within the field that they are studying. Each of the high-school-age children works during the school year, also. None of them enjoys the frills that the administration has cited and, without firsthand knowledge, I doubt that any students do.

I am personally offended by statements made earlier this year by then Budget Director Stockman and Education Secretary Bennett of abuses of the system by, if one were to believe these people: every student recipient of federally backed educational assistance. I would love to know where they got their information.

I am here to tell you that the majority of the recipients of educational aid in whatever form it is received are legitimately qualified, hard-working students and parents who do not and cannot allow their children to abuse the system. There are no trips to Florida, TV's and stereos; they do not own automobiles.

This is my situation, and to allow a broad-brush approach, statements containing the big lie to stand unchallenged would be irresponsible on my part. If there are abuses, stop them. If some colleges are gouging, do not allow it. If prior recipients of student aid are not repaying loans, crack down. But, please, do not kill the system.

If I may state a figure that may give you some perspective of where I am coming from, in academic year 1984-85, the total cost of tuition and room and board for my college-age children was \$35,500. No average family can afford even one-quarter of that.

To arbitrarily establish a cutoff of any federally backed loan or aid when one achieves a total household income of \$32,500 is ridiculous. To allow a maximum of \$4,000 to any family earning over \$25,000 is patently absurd.

The administration's proposition does not take into consideration the number of children of college age at any one time in school; the time it takes for parent repayment of loans after one child has graduated; the economic blow to all colleges, both public and private; and the loss of the human resource.

For instance, under this proposal a family earning \$32,400 with a single child who is of college age would conceivably be eligible for

some financial consideration. A family earning \$32,600 with eight children, four of whom are in college, would not—again, obviously and grossly unfair.

The administration has, in effect, stated that chosen goals in chosen institutions belong to the economic elite, where once again the Harvards of this world will be filled exclusively with the wealthy.

It appears that this administration is using the deficit to accomplish and justify an outrageous defense budget. Social programs are ideologically distasteful to the administration and have become the whipping boy.

Although social programs have fallen out of favor in recent years, to include this one program that does so much good seems to accomplish a negative end. By disclosing by admittedly selfish goals in a public forum, I hope to raise some consciousness as to what is happening.

The alternative to the present program intact is to rob the country of one of its most important assets—the resource of educated people.

Thank you.

Senator STAFFORD. Thank you very much, Mr. Powers. We have no intention of letting this program die or be curtailed below present levels. As I said earlier, if there is any opportunity to realistically increase the programs, we intend to do that. As long as this committee is intact, I think we can say to your children and to you as a parent that these programs will be there, they will be available and, if possible, they will be increased.

I think we have commented in the past on Mr. Bennett's celebrated statement of earlier last winter. Since the chairman of this subcommittee is a graduate of Middlebury College and Mr. Bennett is a graduate of Williams College—two of the little Ivy League schools, so called—it may be that Mr. Bennett was able to observe in his fellow students automobiles, a few days in Fort Laderdale, and so on.

That is not the lot of all college students. Indeed, when I went to Middlebury it was not there either because it was in the early years of the Depression and we all had a bit of a struggle to go through college. Even my college fraternity's account in the local bank was frozen when President Roosevelt froze the banks for a while, and we had to struggle just to feed ourselves.

Well, that is enough reminiscing or I will be breaking my own 5-minute rule here. [Laughter.]

Dr. Henry, let me welcome you as a fellow Vermonter and we are looking forward to hearing from you.

Reverend HENRY. Yes. We have faced each other before in the same situation in Burlington in February.

Senator Stafford and members of the committee, these are the days when the most clarion and insistent call we hear is "reduce the budget, get rid of the deficit, wipe out deficit spending, eliminate all nonessential expenditures." But I am here to sit before this committee to seek the continuance of something that millions of parents like myself consider not just a convenience for the education and upbringing of our children, but as a critically vital re-

source without which many of us could not afford to send our children beyond high school.

The reauthorization of several forms of grants in aid and guaranteed student loans is the keystone of being able to have a college education for our children, especially for those who class ourselves as middle and lower income people.

I speak as one who has five children and a gross annual income, including both cash and noncash items, since part of my compensation is supplied by my parish, of \$22,000 a year. I cannot speak strongly enough of the absolute necessity of having such funds available as Pell, VSAC, the opportunity grants, the guaranteed student loans.

The continued authorization, if not the increase, of these sources of assistance through institutions such as the University of Vermont and the other institutions in Vermont and other States and the thousands of other institutions of higher learning is not an expenditure, as I see it.

An expenditure is something where money is given and beyond the point of purchase there is little real residual benefit. I consider, in fact, the loans and grants an investment, since the loans will be repaid to the loan-fund pools out of which they come and the grants will be used along with the loans to give the truly needy and worthwhile student the advantage of the best education to which he or she may be capable, allowing us to tap into the brightest and best of our young men and women for decades to come as they use the educations allowed them by the use of these resources.

Certainly, we have seen a representation of the quality of these young people who have benefited from these programs by the students who have previously appeared before us.

I continue to believe that the funds, insofar as feasible, should be administered by the colleges and universities on a local State level because they often have the more detailed knowledge of family background as to assets, income, obligations, and they have access to many of the college income surveys which gives them a prospective student profile like none other.

I can sympathize with some of our students who talked about reams of paperwork. If I reproduce my 1984 income tax return one more time, I think it is going to fall apart. There was not much in it to begin with. [Laughter.]

Reverend HENRY. Personally, I have, and have had, five young people in my family, four of whom have gone to college—three boys, two girls. Four of them have gone to college; the other one opted to serve our Nation in the U.S. Air Force, and thus finance his own education after Air Force service.

Our oldest daughter is using an education from the University of Connecticut and is an area coordinator of six schools for music in a Southern State. She has paid back her loans in full; in fact, she doubled up because she wanted to get rid of the obligation. She is, and we are, deeply grateful that she had the loans available when she was in school about 8 years ago.

Since 1981, we have had two children in school at the University of Vermont, and will continue to have two at the university through the end of 1986. To have had these young at the University of Vermont where the cost of an education is \$15,000 for the two

of them each year without such assistance as we are urging today would have been an impossibility.

As far as the State of Vermont goes, it was my information that if these funds and resources were decreased, something like 40 percent of our college students would have to leave. They would be foreclosed from a collegiate education. If the loans and grants were not an available option at all, some 75 percent would be blocked out.

For those with sufficient resources, college will always be an affordable experience for their children. But without some assistance for parents with less income or assets, we court the possibility of a posthigh school education leading to an elitist system where those who have it get it; those who do not are shut out.

It is a two-tier system of the sort that is not traditional in our American society with equal access and opportunity.

Thank you.

[The prepared statement of Reverend Henry follows:]

REAUTHORIZATION HEARINGS:
Title IV-Student Assistance

Testimony of Rev. Richard C. Henry

In these days of the insistant call for balancing of the Federal Budget; for the radical reduction of the Deficit, and deficit spending; and for the elimination of all expenditures deemed non-essential, I am appearing before this committee to seek the continuance of something that millions of other parents and I consider not just convenient, but critically vital.

The reauthorization of the several forms of grants-in-aid and guaranteed student loan funds is the keystone of being able to have a college education for our children, for those of us in the middle and lower income brackets. Speaking as one whose gross family income is less than \$22,000 annually, and who has had see to the education of five children, I cannot speak strongly enough of the absolute necessity of having such funds available for assistance.

The continued authorization of these sources of assistance through institutions such as the University of Vermont, which is where I live; and the thousands of other institutions of higher learning is not an expenditure, but is more in the nature of an investment in the future. I say investment for two reasons: first, the loans will be repaid to the loan fund pools, and the grants will assist the truly needy student to have the advantage of the best education of which they may be capable; thus tapping the brightest and best of our young men and women for the decades to come in our nation.

I continue to believe that funds, in so far as feasible, should be administered by the colleges and universities, on the basis that they know the needs for assistance. Such a detailed knowledge coming from the several organization which conduct needs surveys; and because the local college has the advantage of face-to-face interviews with some prospective students.

Personally, I have had four young people in my family able to attend and graduate from college because these types of assistance were available. Our oldest daughter, using an education at the University of Connecticut, is now the area coordinator of music for six schools in a southern state. She has paid back her loans in full, and is deeply grateful they were there when she needed them. Since 1981, we have had two young people in college each year. This would have been an impossibility for us, except for student assistance, at our income level.

As far as the State of Vermont goes, It would foreclose a college education for a healthy majority of students - perhaps 40% - if loans and grants were not an available option for financing college.

For those with sufficient resources, college will always be an affordable experience their children can enjoy. But, with out some assistance for those families with less income or assets, we court the possibility of post-high school education leading to an elitest system; with a two-tier sort of society. Such a situation is contra to our tradition of an opportunity for all with the ambition to pursue it.

In closing this statement, I refer you to earlier testimony on this subject, when I appeared before Senator Stafford and Representative Jeffords in Burlington, VT, earlier this year. I believe such testimony is on file with your committee.

I thank you, the members of this committee, for this opportunity to appear before you.

Senator STAFFORD. Thank you very much, Reverend Henry. We appreciate your being here and your statement, as we did your earlier statement in front of us in a hearing in Vermont.

One of the Nation's leaders in education is here now. He was the long-time, able, distinguished chairman of this subcommittee while I was its ranking member. I know he has been busy on other matters until now, but, Senator Pell, we are delighted you are here. If you have any statement, this would be a good time to make it.

Senator PELL. Thank you very much, Mr. Chairman. I apologize for being late, having been compelled to be by other Senate duties. I would like to defer my statement, if I could, until we open up this afternoon and just get the flavor of the meeting here.

Senator STAFFORD. Certainly. In that event, we will go to Dr. Richard Hull, who is a parent from Gary, IN.

Dr. HULL. Thank you, Senator I would like to thank you for inviting me here and I would like to thank the members of this committee for the good fight they have been putting up for financial aid. We really appreciate it.

I am from a financial aid family. My graduate career would have been impossible. I tried to send myself through graduate school and the first year in graduate school I was flunking out. I worked all night, 10 hours a night, and went to sleep in my graduate seminars. [Laughter.]

I finally found out that I had to get student aid; went down and applied for every aid program that they had at the time. I had a National Defense loan, the maximum. I was on work-study 20 hours a week for the next several years, and my grades went up and I finished my Ph.D. and I have now become a college English teacher.

I never chose a profession that earned very much money and I do not earn much now, but I am able to afford this profession because I think I can send my kid to the very best schools because of financial aid only.

For the last 4 years, my wife went to graduate school at Yale University and she borrowed the maximum on guaranteed loans that was available. In addition, she borrowed another couple thousand dollars. She is finished with her graduate program now, except that she is going to be writing a dissertation.

When my boy applied to go to Yale University, we wrote in our financial aid application that we owed between us \$22,000 on our own financial student loans. We do not own a house because we owe these debts.

However, we never considered applying to a cheaper institution because we were sure that he would be able to get financial aid. Yale University has what they call a blind admissions policy. They can afford this largely because they get large amounts of Federal aid that they can pass out to the students.

When my boy was accepted at Yale, and he is beginning there this fall—he has a Pell grant, he has a supplemental educational opportunities grant, he is on work-study, he has a large Yale scholarship. He is borrowing \$2,500, which is the maximum, in guaranteed student loans.

In addition, we, his parents, are going over our already \$22,000 indebtedness to borrow \$1,900. So, you see, we are a financial aid family.

The two points that I want to emphasize here are that we never considered asking him to apply to a cheaper institution. He applied to Harvard and Yale and was accepted at both. I think they need students like him and he obviously needs institutions like that. This is where we get excellence in education.

Why is it that I can afford to be an English teacher? Many times I have considered going into a more lucrative profession. The reason is that I knew I was not denying my boy his chance. He has the chance to go to Yale today because of the financial aid that is available to him through the Federal programs.

I do not have to give up my beloved profession of teaching literature and teaching writing. I teach at a school in Gary, IN, one of the most depressed areas in this country. One-third of our students are on financial aid, even though the tuition there is very low. It is one of the cheapest schools in the country.

I can afford to do my very best for these students because of the financial aid I got to allow me to get into this profession, and I can stay in this profession because my boy can go to Yale on financial aid.

Thank you.

Senator STAFFORD. Thank you very much indeed, Dr. Hull, for very interesting testimony. In fact, we thank you all. I may have one question for the group and I would appreciate each of you responding if you care to, and that is sort of a two-barreled question.

Do you think your children are getting their money's worth out of college attendance, and are you concerned about the amount of debt that they may incur before graduation? Could I start with you, Dr. Hull, and we will go down the line?

Dr. HULL. We are absolutely overjoyed with the education he is getting and we are absolutely concerned about the debt that we are incurring. We are already over \$22,000. He is going to have \$10,000 in student debt by the time he graduates as an undergraduate, and I expect that he will want to go on to graduate or professional school. I do not know whether he will be able to borrow any more at this point.

Senator STAFFORD. You do feel he is getting his money's worth thus far?

Dr. HULL. Yes. We think he is going to the best school that there is, but on the other hand will we be able to continue with it after he graduates? That is our question.

Senator STAFFORD. Thank you very much.

Reverend Henry.

Reverend HENRY. Well, I would be drummed out of Vermont if I did not think that UV was giving one of the best educations in the country. [Laughter.]

Before I came to Vermont, I said live in Vermont; it is the last place in the world I would ever live. It is; I would prefer to live there until I am not any more. [Laughter.]

But I believe that our young people are getting an education—my two sons and a daughter at the University of Vermont—that is certainly better, even though I still have a dear place in the heart for a place that Senator Pell will recognize, URI.

When I consider I paid \$500 a year for an education, I am astounded by \$7,400 a year for each of my children. I think they are getting it. And, yes, I am worried because I am a child of a Depression and the idea of a young person coming out of college with something around \$11,000 to \$12,000 in indebtedness scares me.

But thank God for the resilience of young people. They do not seem to be bothered by the fact that they are going to be in hock for a number of years. They are getting an education and they are more than willing to bear the burden of repayment following graduation.

Senator STAFFORD. Thank you very much, sir.

Mr. Dunphy.

Mr. DUNPHY. My sons also attend the best institutions in the world. [Laughter.]

I say that because I believe that for the reasons that they went to the schools that they go to, it was for specific reasons. Some of them wished to attend a school where their friends were attending school and I absolutely put down my foot and said you cannot go there for that reason; give me another reason and you can go somewhere else.

So I believe the schools that they chose to go to for the reasons that they went—they are getting what they expect and they are getting an excellent education.

I, too, share a concern about their ability to repay \$10,000 each on their education because I do not know where our economy is headed and I certainly cannot do it for them. That is a concern and, as I stated in my statement, I guess I would rather see grants made available to future students rather than loans.

Senator STAFFORD. Thank you.

Mr. Powers.

Mr. POWERS. I have no doubt that it is worth it. My oldest two, through their formal education with master's degrees, are both teaching and they are quite happy. The younger of the two just graduated; took an intensive summer course and graduated in August.

The oldest one is repaying, and has been for 2 years now, \$10,000 on schedule. This one that just got out is about to start repaying, as soon as the bills start coming, \$14,000. They will cope, they will cope.

The others—I have a senior, a junior, and a sophomore that are currently in, and I am not the least bit concerned about their ability to cope.

Did they get the best out of it? As far as the oldest two are concerned, absolutely; the current ones, I have no doubt, yes. I am quite satisfied.

Senator STAFFORD. Thank you very much; thank you all, gentlemen.

Senator PELL.

Senator PELL. I would like to ask, also, a basic question here and have each of you answer it if you could, and that is, as parents, what one specific recommendation would you have for improving the present system of Federal assistance to student education, maybe again starting with Dr. Hull and working our way down?

Dr. HULL. Because of our financial situation, what we would appreciate the most is more grants and less loans. We can survive if you even preserve the system as we have it. The level of indebtedness that we are now going into beyond on our own education, which was about all we could bear, is really mounting up.

Senator PELL. Mr. Henry.

Reverend HENRY. I would tend to agree with those who have spoken already that perhaps if deemed feasible by those who set these projects up, perhaps a greater emphasis on the grant possibilities rather than the loans, for the reason that we have expressed a concern that there is an indebtedness that can mount.

One of mine wants to go to law school, and that is like med school and you are talking five-figured numbers that would scare me. But I think grants would be more appropriate than loans beyond a certain sum of funds.

Senator PELL. We have too many lawyers per capita anyway.

Reverend HENRY. Well, I would not want to tell my daughter that. She has been waiting for 5 years to try it.

Senator PELL. Mr. Dunphy.

Mr. DUNPHY. I would reiterate that the grant is much more appealing because you do not pay it back, but I do not think that is the issue when we are talking about education and the ability to repay loans.

I am faced with the same situation in agriculture in that I have loans available to me. It is not that I want a grant to continue farming or a grant to keep my sons in school. The problem in agriculture is profitability and repayment of loans. With the student, it is his obligation to repay the loan, and if the loan is too large, as in agriculture, things will not get paid back. Some will get sucked under. That would be my concern.

Senator PELL. Thank you.

Mr. Powers.

Mr. POWERS. Grants are idealistic; I do not think we will ever see them. I am quite happy with the system. My reaction came last January when I took a pen to paper in anger and wrote to Senator Kennedy when Stockman and Bennett made their foolhardy remarks, but I could see the way that the administration, in my mind, was headed.

I am quite happy with the system—the available assistance programs that are now with us. I am quite happy. I would just love to keep it the way it is.

Senator PELL. Thank you very much. Thank you, Mr. Chairman.

Senator STAFFORD. Thank you very much, Senator Pell. At this point we will receive any additional statements submitted for the record.

[Additional statements submitted for the record follow:]

STATEMENT

of the

AMERICAN ASSOCIATION OF RETIRED PERSONS

before the

Subcommittee on Education, Arts, and Humanities

of the

Senate Committee on Labor and Human Resources

on

REAUTHORIZING HIGHER EDUCATION LEGISLATION

October 1985

Mr. Chairman and Members of the Postsecondary Education Subcommittee, the American Association of Retired Persons appreciates the opportunity to submit testimony at your hearings on reauthorizing higher education legislation.

Today the concept of lifelong learning has clearly "come of age." In a fast changing society, citizens of all ages, including older Americans, must acquire the necessary skills to enable them to cope with rapid technological and social advances.

This is certainly true in America. Many new jobs today never even existed 5, 10 or 15 years ago. The computer, for example, has ushered in numerous new occupations and employment opportunities. It has also necessitated retraining for persons whose skills have been rendered obsolete by technological advances.

A. Changing Work and Education Patterns

Quite clearly, the "graying" of the work force is already forcing reassessment of existing education and work patterns. Unfortunately, today, education and work are oftentimes an "all-or-nothing" proposition. People may go to school full-time for 12 to 16 years, work full-time for another 40 to 45 years and then retire abruptly at 65 or an earlier age. Many older Americans would like a different mixture.

Currently, postsecondary education tilts very heavily toward the more traditional, younger students--those persons in the 18-to-24 age bracket. Educational planning rarely considers the needs of mature individuals. Our surveys reveal that per-

sons in their 40's, 50's and above would like greater educational opportunities. The clear message from our 20-million membership is that older Americans are keenly interested in continuing their education or pursuing remedial activities if their prior education is greatly outdated or at a lower level.

Postsecondary education is often essential for older persons who must learn new skills, especially when their present ones have been displaced by technology. A 1981 Louis Harris poll revealed that about two out of five persons (39 percent) 55 to 64 years old would either be interested or very interested in learning new skills or participating in a job training program to obtain new employment. That same poll made it clear that employment is a major reason for older persons to enroll in training activities. For 56 percent of respondents 55 to 64 years old who enrolled in educational courses, the primary motivation was to acquire marketable skills.

B. Focus More on Needs of Mature, Nontraditional Students

These facts and other considerations provide compelling arguments to focus more postsecondary education activities on the mature, nontraditional student. This is clearly a "win-win" proposition from all vantage points. It is beneficial for older students, postsecondary institutions, and our nation.

In 1980, more than 47 million Americans were 55 or older, about one out of every five persons (20.9 percent) in the United States. By the year 2000, this number will increase to nearly 59 million. During the first 20 years of the 21st century, the 55-plus population will soar to almost 92 million. At

that time, about one out of three persons (30.9 percent) in the U.S. will be 55 or older. Clearly, there is a large potential market for colleges, universities, and other nontraditional institutions to serve.

Moreover, it is certainly in the interest of educational institutions to seek out the mature, nontraditional students because many colleges and universities can expect drops in enrollment, especially among the traditional 18-to-24 year old students. K. Patricia Cross perhaps summed up the advantages of this partnership best when she said:

"The major conclusion to be drawn from the above facts is that the elderly's potential for growth in educational participation is enormous. They are under-represented now, but their numbers will grow; they have time and health for participation in a wide variety of activities. At the same time, it is clear that many colleges are seeking new clientele to cushion the drop in the 18 to 24-year olds in the population and are ready and eager to serve older learners. Perhaps the two needs can be brought together to the ultimate benefit of the total society."

Today continuing education is a high priority need for mature persons who must keep abreast of changing developments in their trade, business or profession. It is also valuable for those individuals who must change their careers during mid life. Indeed, most part-time older students who return to college do so to upgrade their job skills or make possible a career switch.

The payoff for our nation as well as older Americans hinges, though, on a more readily available continuing education program which is responsive to the special needs of older Americans.

C. Recommendations

AARP has two major recommendations to ensure that the Higher Education Act focuses more attention on the mature, nontraditional student.

First, all types of student aid under the Higher Education Act should be available to less than half-time students, including loans, Pell grants, fellowships, and other financial support. Currently, federal financial assistance is available only for students enrolled half-time or more. Many older persons who are returning to school after several years can only take one or two courses because they may be working and raising a family at the same time. Quite often, their responsibilities make it impossible to be enrolled for the required number of units to qualify for federal assistance.

The current high cost of education makes it absolutely essential that persons in their 40's, 50's and above be able to obtain student assistance. Otherwise, they may simply be priced out of the market. This, in turn, can affect their ability to participate effectively in our society.

In a rapidly changing economy, financial assistance to a middle-aged or older student can be as critical to success as it is for a younger full-time student embarking on a first career. A classic example may be a middle-aged displaced worker or a displaced homemaker who must return to the classroom to become employed again.

Currently, most student assistance is provided to persons in the 18-to-24 age category. Nontraditional older students are largely overlooked or ignored by existing student aid programs. The availability of student aid to less than half-time students would be an important step in assuring that older, nontraditional students can return to school more readily to stay current of constantly changing requirements in their job.

Second, the experience of AARP's Institute of Lifetime Learning demonstrates that a need exists to improve support services for older Americans who take refresher or other continuing education courses. At this time, there are probably more questions than answers concerning the problems and solutions. For this reason, AARP recommends that there be a provision in the Higher Education Act for a special demonstration program focusing specifically on issues relating to continuing education for older mature students. These would include:

- What are the major barriers which prevent or impede older adults from participating in continuing education programs?
- What steps can colleges, universities, and nontraditional education institutions take to promote lifelong learning tailored to the needs of mature, nontraditional students?
- How can support services such as tutorial assistance, remedial aid, dependent care, the use of research facilities, and others be more readily available to nontraditional, mature students? Present legislation, for example, provides for day care allowances for younger dependents. However, a mature student with an older

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dependent is not eligible for this aid, although the need may be as great or greater.

-- What are the high priority support services that nontraditional, mature students need?

D. Conclusion

AARP has taken the lead in promoting continuing education opportunities through our Institute of Learning, which was established in 1963. The Institute assists older persons in meeting their educational objectives through a wide range of activities and programs.

AARP strongly believes that educational opportunities should be available for all age groups. Education should be a lifelong process to provide both cultural enrichment as well as the tools to compete and adapt to a rapidly changing society.

Older Americans, like younger Americans, should have a wide range of education options, depending upon their needs and desires. Our two proposals, we sincerely believe, will help to assure that the continuing education needs of older, nontraditional students will be better served under the Higher Education Act.

We believe these proposals are realistic and fiscally responsible. AARP looks forward to working with the Subcommittee in achieving these objectives.

cape
COUNCIL FOR AMERICAN
PRIVATE EDUCATION
 1825 Eye Street, N.W., Washington, D.C. 20006

(202) 659-0016
 Robert L. Smith
 Executive Director

November 1, 1985

The Honorable Robert T. Stafford
 Chairman
 Labor and Human Resources Subcommittee
 on Education, Arts and the Humanities
 U.S. Senate
 Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the Council for American Private Education (CAPE), I am pleased to submit a statement to the Committee for its consideration in the reauthorization of the Higher Education Act. CAPE is an association of 15 national private school organizations which enroll, in their schools, about 75% of the nation's private school students or approximately 4.2 million students. CAPE's member organizations are nonprofit and subscribe to a policy of nondiscrimination in their admission policies. They include the following:

The American Lutheran Church
 American Montessori Society
 The Association of Evangelical Lutheran Churches
 Association of Military Colleges and Schools in the US
 Christian Schools International
 Friends Council on Education
 Lutheran Church - Missouri Synod
 National Association of Episcopal Schools
 National Association of Independent Schools
 National Association of Private Schools for Exceptional
 Children
 National Catholic Educational Association
 National Society for Hebrew Day Schools
 Seventh-day Adventist Board of Education, K-12
 Solomon Schechter Day School Association
 U.S. Catholic Conference
 25 associated state organizations

Members: The American Lutheran Church • American Montessori Society • The Association of Evangelical Lutheran Churches • Association of Military Colleges and Schools in the U.S. • Christian Schools International • Friends Council on Education • Lutheran Church - Missouri Synod • National Association of Episcopal Schools • National Association of Independent Schools • National Association of Private Schools for Exceptional Children • National Catholic Educational Association • National Society for Hebrew Day Schools • Seventh-day Adventist Board of Education, K-12 • Solomon Schechter Day School Association • U.S. Catholic Conference. Associated state organizations in: Arizona, California, Connecticut, District of Columbia, Florida, Georgia, Indiana, Kansas, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Oregon, Puerto Rico, Rhode Island, Tennessee, Texas, Virginia, Washington, and Wisconsin.

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Our member organizations have several concerns about key sections of the Higher Education Act. We appreciate the opportunity to submit a formal statement for the record which represents the overall concerns of CAPE's member schools.

Federal Financial Aid Policy

Our major concern has to do with the serious failure of financial aid policy to comply with Congressional intent in the determination of financial aid to private school families. Congress clearly intended that the educational expenses of other dependent children would be fully deductible in computing family financial need. Today these are not deducted in the manner directed by Congress.

Our organizations have been concerned particularly about the way in which the National Student Aid Coalition and its Subcommittee the Committee on Needs Assessment and Delivery (CONAD) have been interpreting the language in Section 482a (2)(F) of Title IV. This section stipulates that expected family contribution shall be calculated on the basis of several criteria, among them "any educational expenses of other dependent children in the family."

The Uniform Methodology, as it has been developed by the National Student Aid Coalition, places restrictions on the elementary and secondary school allowance that directly contradict Congressional intent. The formulas set by the National Student Aid Coalition imposed a floor of 4% of income on the allowance for families of recipients of campus-based federal financial aid programs for the academic year 1983-84 and added for 1984-85 a \$1,400 cap. In our opinion this was beyond their authority. The modifications which had been set by the National Student Aid Coalition resulting in both a \$1,400 cap as well as a 4% floor, were not consistent with Congressional intent in regard to these statutes. They in fact discriminate against parents of private school students.

The private elementary and secondary school community strenuously objected to these changes and attempted to remedy this serious departure from legislative intent. They were strongly supported in this effort by the leadership of the House Education and Labor Committee and the Senate Labor and Human Resources Committee. To quote from a letter on this subject

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Which you and Senators Hatch and Pell sent to Secretary Bell on March 12, 1984, "In our opinion, the clear intent of Congress in enacting both P.L. 92-318 and P.L. 94-482, was to allow tuition spent for a student in a private elementary and secondary school as a simple deduction from effective family income in determining eligibility for federal postsecondary student financial assistance. As you know, if such tuition is considered otherwise, students from these families will either be ruled ineligible or receive reduced aid from the Pell Grant, SEOG and other campus based aid programs."

The National Student Aid Coalition's May 9, 1984 decision to revise and redefine the cap as well as remove to the floor on the private school tuition allowance is not a satisfactory response to the objections the private school community has expressed over the past year. A higher limit on the deduction available to parents is no more in accord with the intent of Congress than the \$1,400 maximum in the previous policy.

We believe there is no sound policy reason for any cap. To our knowledge, there is no empirical data that would suggest that the sibling tuition expense deduction is being abused by high income families seeking to gain a windfall benefit from the law. To the contrary, the vast majority of families whose children attend schools of higher learning and incur the high costs of sending their younger children to nonpublic elementary and secondary schools do so because of religious, moral or educational conviction, not because they have large amounts of discretionary money. The assumption is erroneous that family expenditures for private elementary and secondary school tuitions are a purely discretionary use of income.

In addition to the impact on families a directly related emerging issue is that as college financial aid resources diminish, private school financial aid programs are being forced to fund the slack in cases in which parents pay tuition concurrently to college and pre-collegiate institutions.

Tuition charges in private schools reflect the necessary costs of operating them without government subsidies. Equating high tuition with family wealth is highly misleading and is unfair to the private school families that are struggling

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financially. In fact, a recent survey by the National Association of Independent Schools (NAIS) shows that approximately 18% of all students in independent schools currently are receiving financial aid, two-thirds of the funds for which come from tuition receipts. Consequently, these high tuitions are in fact subsidizing the education of their low income families. During the current academic year, the schools that are members of NAIS will award over \$102 million in financial aid to students.

We urge the Committee to state clearly and unequivocally its intent in the new legislation reauthorizing the Higher Education Act that the needs analysis process should reflect the inclusion of elementary and secondary school expenses in determining a person's eligibility for federal financial student assistance. This can be most expeditiously handled by utilizing the Pell Grant financial need calculation. The overriding issue is one of Congressional intent based on fairness.

Our experience has raised serious questions about the process by which the Higher Education Act is implemented. We urge greater Congressional oversight of this process to ensure that misinterpretation neither continues nor recurs. We also urge the Committee to adopt provisions which will require the Secretary of Education, in cooperation with representatives of agencies and organizations involved in student financial assistance, including those representing private pre-collegiate institutions, to determine annually the effect of any proposed federal financial aid policies on families who pay tuition concurrently for pre-college and collegiate education as well as the effect of federal financial aid policies on school financial aid policies.

The following comments are on existing provisions of the law.

Teacher Training Programs - Part B

Section 542

Under this section fellowships are awarded to persons who are in training programs to become special education teachers in areas with a shortage. Fellowship recipients are required to teach for at least two years in a public elementary or secondary school which has a special education program for handicapped children. We think this is an excellent incentive for

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encouraging young teachers to enter the field of special education. However, we do not see why this requirement should be limited to public school teaching. Fellowship recipients should also be permitted to fulfill their two-year training requirement by teaching in private elementary or secondary schools which have special education programs for handicapped students.

We urge the Committee to broaden the provision to permit fellowship recipients to fulfill their teaching requirements at private schools as well as public schools.

Carl D. Perkins Scholarship Program - Part E

Section 563

Under the sections designed by the 98th Congress to increase the quantity of pre-college teachers and to improve the quality of current teachers, we strongly recommend that the teaching requirement for this scholarship program, Sec. 563 (b)(4)(A), treat public and private schools the same, instead of limiting eligible service in private schools to "Chapter I" schools only.

Under this program, for each year of scholarship assistance received, a recipient is required to teach two years in a public elementary or secondary school, or if a recipient teaches in a school serving high concentrations or economically disadvantaged students, or children with limited English proficiency or handicapped students, the service requirement is reduced to one year for each year of assistance awarded.

Scholarship recipients may fulfill their service requirement by teaching in a private nonprofit elementary or secondary school but only in such a school located and serving students in a district eligible for assistance pursuant to Chapter I of ESEA. On the other hand, recipients may fulfill their service requirements by teaching in any public elementary or secondary school. This provision is inequitable because it treats public school teachers differently from private school teachers. If there are restrictions and limitations on private schools at which a recipient may teach, then those same restrictions should apply to public schools.

Furthermore, the requirements of Section 563(b)(4)(A) of the Higher Education Act in their treatment of private and public school teachers are inconsistent with the provision of Section 465(a)(2)(A) of the same act which treats them equitably. We recommend that the section be amended to remove the limitation and this inconsistency.

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Exception to Repayment Provisions

We also note that Sec. 568 (a) dealing with "Exceptions to Repayment Provisions," is currently limited to public school teaching. It should be modified so that a recipient would not be considered in violation of the agreement entered into pursuant to Section 563(a)(4) if the recipient is seeking and unable to find full-time employment as a teacher in a public or private nonprofit elementary or secondary school or a public education program. We would recommend an amendment to add private school teaching as well as public school teaching to clearly indicate the intent of Congress to treat private schools as equitably as public schools in the purposes of this program.

Teacher Competency

Under Section 566(B) we are concerned with the current requirement regarding competency. Although a majority of private school teachers are State certified, a large majority of private school principals do not think State certification is a requisite for good teaching and nearly half of all private schools do not require certification of their teachers. Because potential private school teachers are included among Carl D. Perkins Scholars, we strongly urge that the Committee amend the current phrase "pursuing a course of study leading to teacher certification;" to read "pursuing a course of study leading to teacher competency." This change does not in any way weaken the intention of assuring that the Carl D. Perkins Scholars are potentially competent teachers.

Higher Education - Elementary and Secondary Education Relations

Finally, we urge that steps be taken by Congress to address the state of nearly total indifference which characterizes the relationship between higher and elementary and secondary education.

Although self-explanatory, it is clear from "A Nation At Risk" and other studies that the problems and condition of education cannot be effectively addressed piecemeal. Schools and colleges need each other. Their health is mutually dependent. There should be national recognition of this fact and visible means put in place to address mutual interests systematically and effectively. A small group of major college presidents has been active in this area. Their work is valuable but the scope and importance of the task requires a federally sponsored strategy.

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We support the creation of a means by which issues which mutually affect pre-college and college education can be focused on systematically. We would recommend that an ongoing Commission be established composed of 12 members, 5 from the college and university community, 5 from elementary and secondary education and 2 from the general public, including 2 representatives each from private and independent pre-collegiate and collegiate education to be appointed in equal numbers by the Senate, the House of Representatives and the President to monitor and advise on issues in which the well-being of both sectors is mutually affected and that an annual report covering these matters be submitted to the Secretary and to Congress.

Although the last suggestion may sound radical, it is greatly needed in our view.

We would also like to take this occasion to urge you and members of the Committee that any newly created programs considered and adopted by Congress, especially those providing assistance for teacher training programs, be designed in such a way as to treat the public and private school sectors fairly and equitably.

Mr. Chairman, we respectfully request that this letter be entered into the record of hearings on the reauthorization of the Higher Education Act which are being held by this Committee.

Thank you for your concern and consideration.

Respectfully submitted,


Robert L. Smith
Executive Director

Senator STAFFORD. Now, with gratitude from me personally and the committee, gentlemen, we are going to bring this hearing to a close. The subcommittee will reconvene at 2 this afternoon. Senator Pell will open the meeting. I will join him shortly thereafter.

[Whereupon, at 11:48 a.m., the subcommittee was adjourned.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

TUESDAY, SEPTEMBER 10, 1985

[AFTERNOON SESSION]

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:07 p.m., in room SR-385, Russell Senate Office Building. Senator Robert T. Stafford (chairman of the subcommittee) presiding.

Present: Senators Stafford, Kennedy, Pell, and Simon.

OPENING STATEMENT OF SENATOR PELL

Senator PELL [presiding pro tempore]. The subcommittee will come to order.

The series of hearings that we have begun today on reauthorization of the Higher Education Act are extremely important. Ultimately, they will affect the lives of millions of Americans and their families.

To a young black student who is today locked in the poverty of a ghetto in one of our major cities, our deliberations literally hold the key to the dream of a college education. To a young Hispanic woman whose Pell grant enables her to attend a community college in the Southwest, our work will determine whether or not she can complete that education which she has begun.

To middle-income wage-earners throughout my own State of Rhode Island who may have two or more children in college, our efforts here will decide whether or not there is sufficient loan money to keep those students in school.

And to a middle-aged woman who sees in a return to school the promise of a better life and job, our labors may well answer whether or not that promise is to be fulfilled, that dream made into a reality.

No one should underestimate the importance of our undertaking. While the Federal Government contributes only about 13 percent of the total funds spent on higher education, it makes its contribution in a very concentrated manner. Ninety percent of the Federal contribution to higher education is in the form of student assistance, grants, work-study, loans, graduate fellowships, special services, and the like.

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Thus, while the contribution may not seem much to one overall, it is crucial to those that count the most—the students seeking a college education.

We begin this reauthorization process today in a very difficult period. Over the past 4 years, the value of student aid has decreased by almost 20 percent, while the costs of a college education have increased by almost 40 percent.

The inescapable fact, therefore, is that we need more money for student aid. That is particularly true for grants that make it possible for students from low-income families to attend college.

At the same time, though, we face the necessity to root out abuses in our student aid programs. We must make sure that the limited moneys we have are used wisely and carefully. In my mind, that means cracking down—cracking down hard—on deadbeats who cheat the Federal Government. It means reporting those who default on their loans to credit bureaus, so that they will have difficulty getting credit cards or any other type of loan until they have repaid the student loan.

It also means making sure that grants go to those students who truly need and deserve them, and it means making sure that student aid goes only to those students who are serious about their work and who are completing and passing the courses in which they are enrolled.

Finally, we undertake this reauthorization under the monstrous cloud of a dreadful, tremendous Federal deficit. That reality will affect our deliberations and our decisions. We will inevitably place limits on what we will attempt and what we can accomplish over the next 5 years.

My hope, though, is that we will not permit it to warp our perspective. I have long contended that the real strength and health of our Nation is to be found in the sum total of the education and character of our people. What we do in education today will have benefits to society for years and years to come. What we accomplish in the classroom this afternoon may well unleash the talents of a new artist, begin the discovery of a cure to a mysterious disease, or perhaps even lead to the achievement of a lasting peace on our planet. That, to my way of thinking, is what is ultimately at stake in the work we begin today.

That is why I think these reauthorization hearings are of singular importance and I am very glad to see the attendance that we have at them.

I am very glad to say that the ranking member of the full committee is with us. Senator Kennedy, do you have an opening statement?

Senator KENNEDY. Thank you very much, Mr. Chairman. Before presenting a very brief opening statement, I would like, with the indulgence of my good friend, the former chairman of the Education Subcommittee and now the ranking member of the Education Subcommittee, the opportunity to present someone to this committee who is a distinguished educator and president of Boston College.

He has been president of that great university for some 14 years and has presided over the education of some 14,000 students during that period of time. He has raised the quality of education, im-

proved the curriculums, and made it truly one of the outstanding universities not only in our own State or New England, but throughout the United States.

He has not only distinguished himself as an extraordinary university president, but he is also well known to be one of the most creative and concerned church men in our State and certainly in our country.

He has been tireless in his work in various community activities. As a university and college president and as a churchman, he has used his very generous and extraordinary talents to serve the people in a wide variety of different civic activities which have enriched the lives of all of those who have had the good opportunity to come in contact with him.

Mr. Chairman—I will not take the time of this committee to mention many of its distinguished colleagues, such as my colleague in the Senate, John Kerry, and a very special friend of all of ours, the Speaker of the House of Representatives, Tip O'Neill who have attended Boston College.

Many on this committee have heard of Doug Flutie. We take a great sense of pride in not only Boston College as a source of outstanding academics, but also on the sporting fields as well.

So, it is a real pleasure and a privilege to have Father Monan join with us today. I know we will benefit from his testimony and I am delighted to have the chance to present an old friend of all of ours and a person that can be of great help to us as we are considering the reauthorization of the Higher Education Act.

I thank the Chair for indulging me in this presentation. I have a brief opening statement, but I will ask, since the committee has indulged me this time, to include my statement in the record as if read.

Senator STAFFORD [presiding]. Without objection, that will be made a part of the record.

OPENING STATEMENT OF SENATOR KENNEDY

Senator KENNEDY. I would like to welcome the distinguished members of our Panel and I thank you for taking the time to come before us today. I would like to extend a personal welcome to Father Monan who is president of Boston College, one of the largest higher education institutions in Massachusetts. The committee has already heard today from two other representatives of the Commonwealth. Michael Meehan and Arthur Powers speak for thousands of students and parents in my state who could not attend school or educate their children without financial aid.

Over the next several months, the Senate will be working on the Higher Education Act and assessing the needs of students and institutions of higher education. We are charged with a great responsibility to ensure that our higher education system continues to provide the federal assistance needed to preserve and promote equality of access and freedom of choice for the millions of college students across the country.

Higher education programs are vital to this nation, not only for the knowledge and job-skills they provide our citizens, but also for the all-important investment they represent in our nation's future.

Higher education is the key to the economic growth and vitality of the United States.

During our deliberations on this important law in the months ahead, we must carefully consider the problems that face students and higher education institutions. Over the past several years, we all know that the buying power of the Federal grants and loans to students has not kept up with the increasing costs of postsecondary education.

Because the Pell grants no longer provide the amount of help we originally intended, more and more students are turning to loans or deciding not to pursue higher education at all. We are in danger of producing a generation of debt-laden students. And, we are in danger of stifling the growth and human potential of those young people who turn away from postsecondary school because they can not afford it.

Our higher education institutions will be faced with grave decisions and choices in the next few years as they experience a decrease in enrollment as the World War II baby boom generation grows older. We must make every effort to preserve the quality and diversity that our many colleges offer and to help revitalize research programs, libraries, adult and continuing education, and graduate programs. We must give special consideration to developing innovative programs for teacher training and provide particular attention to the critical special services offered under the Higher Education Act.

Casting a shadow over the reauthorization of this legislation is the ever present budget deficit. I believe that everyone here is committed to reducing and eliminating the deficit for the sake of our children and their future. I too stand committed to this goal, but I will not try to cure this present crisis by creating a deficit of opportunity for millions of young Americans. We saw how the administration planned to balance the budget at the expense of students when it called for devastating costs in student financial aid in the President's 1986 budget proposal. We succeeded in preserving the programs through the budget process and I plan to fight the same battle should the Department of Education put forth similar proposals in its reauthorization bill.

I am anxious to hear the testimony of our distinguished guests and I look forward to working together with you as we reauthorize the Higher Education Act. I think the law itself expresses the importance of the work ahead of us when it states " * * * The Nation's economic potential, its strength and freedom, and the quality of life for all citizens are tied to the equality and extent of higher education available."

That is our challenge—that is our goal.

Senator STAFFORD. The Chair will say that in coming through the door, we heard the most able Senator from Massachusetts referring to a wonderful university and, of course, for a minute we assumed he was talking about the University of Vermont until we saw Father Monan here; then we knew what he was talking about. [Laughter.]

Senator KENNEDY. I thank the Chair. As I say, I will include in the record my complete statement. I just want to commend the

Chair again—Senator Stafford and Senator Pell—for commencing these hearings.

We have heard from two other of our citizens from Massachusetts as well, who come from a different area of the educational experience. I think there are probably no hearings which are more important to the future of our country than the ones we are having here today.

I look forward to working with the chairman and the ranking minority member as we fashion this legislation, and I look forward to examining the testimony of all the witnesses.

Thank you.

Senator PELL. Mr. Chairman.

Senator STAFFORD. Senator Pell.

Senator PELL. I also ask your indulgence. I have to be meeting with some of our colleagues and the President this afternoon. But I would be remiss if I did not say how glad I am that Dr. Liston is here. He is president of the Community College of Rhode Island and a member of the executive board of the American Association of Community and Junior Colleges and president of the Rhode Island Association of College Presidents.

He is very active in a variety of extra-curricular activities in Rhode Island and does a wonderful job running our community colleges, which really give a second chance to many of our young people. I wish him well and I am very glad he is able to take the time to come down here.

Senator STAFFORD. Thank you very much, Senator Pell. We all seem to be playing musical chairs this afternoon. I just came from the Commerce Committee, where I was a witness. I understand you are leaving for the White House.

Unless Senator Pell has made some different arrangement, I would like to go in the order in which our witnesses are listed, which would mean, Father Monan, of BC, you would be first, followed by Dr. Liston, Dorothy Cann, and Dr. John A. DiBiaggio.

If that is agreeable, that is the way we will go. So, Father Monan, we will hear you.

STATEMENT OF J. DONALD MONAN, S.J., PRESIDENT, BOSTON COLLEGE, BOSTON, MA; EDWARD J. LISTON, PRESIDENT, COMMUNITY COLLEGE OF RHODE ISLAND, WARWICK, RI; DOROTHY CANN, DIRECTOR, APEX TECHNICAL SCHOOL, NEW YORK, NY; AND JOHN A. DIBIAGGIO, PRESIDENT, MICHIGAN STATE UNIVERSITY, EAST LANSING, MI

Father MONAN. Well, Mr. Chairman and members of the subcommittee, my name is J. Donald Monan and I am beginning my 14th year as president of Boston College, as Senator Kennedy so very thoughtfully and graciously indicated.

Boston College is the fourth largest private university in New England, with our 14,000 students in six undergraduate, graduate, and professional schools. It is a privilege to address you on an occasion I consider to be momentous for higher education.

Although the purpose of these hearings is to provide an opportunity to share our thoughts regarding the needs of higher education, I would like to take one moment to express a sentiment that I am

sure will be shared by all of my president colleagues who come before you in the ensuing weeks.

I would like to express sincere gratitude for what you have done for institutions of higher education and their students, and to express my esteem for the manner in which you have provided your assistance.

My perspective as president of a privately controlled institution makes that sense of gratitude particularly acute. In a variety of ways, Congress has recognized their responsibility to assure the continuation of vigorous and strong independent universities.

But permeating the entire array of programs of institutional aid and student assistance has been an unmistakable tone of admirable restraint, lest assistance ever overflow into control.

On this committee are statesmen who have furthered the values of education over decades, and I would like to express to you and to the Congress our gratitude for the vision and the restraint and the sincere concern for the interests of students that your past programs have manifested.

The end result has been an independent sector that, insofar as it has used federal funds, has become, in a sense, dependent. But I find in this result neither irony nor paradox, for a degree of beneficial dependency has not meant Federal control. It has rather created the paradigm of what perhaps is the genius of our country—a respectful and effective partnership of individual persons, of private institutions, and of Government, cooperating at the juncture where their own and the national good so clearly coincide.

In the 13 years I have served as president of Boston College, our freshman applications rose from 6,000 in 1972 to over 16,000 in the spring of 1985, creating a ratio of eight applicants for each of the 2,000 freshman places available.

I believe this fact alone speaks eloquently about the continuing desire on the part of America's students for choice in higher education. More than 90 percent of the students who applied for admission—15 of the 16,000 applicants—also sought resident status at the college, and over the same span of years of my presidency annual tuition tripled from \$2,600 in 1972 to \$7,400 in the year just concluded.

While Federal assistance to our students in the form of grants and work-study declined from 5 million in 1980 to 4 million in fiscal 1985, the college's provision of student aid from its own resources rose from 6.5 million to 16 million in that same 5-year span, an increase of some 147 percent.

Last year, 62 percent of all Boston College undergraduates received some form of financial assistance, and in a poll this past spring we learned that over 80 percent of our graduating seniors had incurred debts and over 40 percent of them had debts in excess of \$10,000 for their educational costs.

Although our students who qualify for national direct student loans are, by definition, in severe financial straits, the default rate in those programs among our graduates is 4.3 percent.

Mr. Chairman and members of the subcommittee, I shall attach to my testimony a short appendix containing specific recommendations of proposals for your consideration. But at the beginning of these hearings, I would like to reemphasize the critical importance

of the partnership with the Federal Government on the part of even the strongest of privately controlled colleges and universities.

Both in 1965 and in your efforts in 1980 when you reauthorized the Education Act, you reaffirmed the high priority of educational excellence for the economic welfare of the Nation, and reaffirmed the responsibility of the Federal Government to promote freedom of choice to students who wish to participate in postsecondary education.

I share the beliefs expressed in those findings, and the Higher Education Act, as amended, through October 1980 has provided a solid framework for good national educational policy.

I believe that the amendments required now to continue this policy need not be complex or extensive, but they must be unequivocal in promoting a partnership that supports choice, diversity and quality within the higher educational community.

Two years ago, with the prospect of reauthorization just over the horizon, I was serving as chairman of the National Association of Independent Colleges and Universities. That represents all of independent higher education.

Over a 4-day period of evaluating existing Federal programs and encouraging the most creative of imagination to develop new approaches, we concluded with an endorsement of the main lines of existing programs of grants, loans, and of institutional aid.

Senator STAFFORD. Father, one of the hardest things a chairman has to do here is recognize the passage of time, and I always feel badly about it, knowing how much trouble witnesses go through to be here and prepare statements.

We do have this system of traffic lights here which gives witnesses 4 minutes on the green, 1 on the yellow, and then it is red. We want you to know that complete statements that you have submitted will be in the record, but for the sake of the panel that will follow, and with apologies again to witnesses of your importance, we would ask if you would summarize now in about a minute, Father, and then we will go on to Dr. Liston.

Father MONAN. I was just going to draw to a close to indicate, as is also contained in the appendix, my support for the basic outlines of the existing legislation and to hope that the program of loans, grants and forms of institutional aid for types of capital needs that institutions cannot provide for themselves will be continued.

I would like to express again my gratitude for assistance passed and my best wishes for the work that you have remaining before you. Thank you very much, Mr. Chairman and members of the committee.

[The prepared statement of Father Monan follows:]

TESTIMONY OF J. DONALD MONAN, S.J.

PRESIDENT OF BOSTON COLLEGE

before the

SUBCOMMITTEE ON EDUCATION, ARTS, AND HUMANITIES

COMMITTEE ON LABOR AND HUMAN RESOURCES

UNITED STATES SENATE

September 10, 1985

Mr. Chairman and Members of the Subcommittee: My name is J. Donald Monan, S.J. I am beginning my fourteenth year as President of Boston College, in the Commonwealth of Massachusetts. Though a recent Chairman of the National Association of Independent Colleges and Universities, and current Chairman of the twenty-eight member Association of Jesuit Colleges and Universities, I come before you as a representative of the institution I serve as President. Boston College is the fourth largest private university in New England, enrolling slightly more than 14,000 students in our six undergraduate, graduate, and professional schools.

I certainly regard it as a privilege to address you on an occasion I consider to be momentous for higher education, as you begin your consideration of how the Senate may best extend the wise and solicitous concern for education that you originally expressed in the Higher Education

Amendments of 1965. Although the purpose of these hearings is to provide educators an opportunity to share our thoughts regarding the needs of higher education, and manners in which the federal government can assist our institutions in furthering the national interest, I would like to take one moment to express a sentiment that I am sure will be shared by all of my colleagues who come before you in the ensuing weeks.

I would like to express sincere gratitude for what you have done for institutions of higher education and their students, and to express my esteem for the manner in which you have provided your assistance. My perspective as President of a privately-controlled institutions makes that sense of gratitude particularly acute. The federal government early recognized that independent colleges and universities provide a beneficial contribution, indeed, a necessary contribution, to the social and educational and cultural life of our nation. In a variety of ways, Congress has recognized a responsibility to assure the continuation of vigorous and strong independent universities. Permeating the entire array of programs of institutional aid and student assistance and encouragement to philanthropists, has been an unmistakable tone of respect for the value of education, and of admirable restraint, lest assistance overflow into control. There are obviously on this committee statesmen who have furthered the values of education over decades, and I would like to express to you, and to the Congress, our gratitude for the exemplary vision, the

restraint, and the sincere concern for the interests of students, that your past programs have manifested.

The end result has been an independent sector that, insofar as it has used federal funds, has become, in a sense, dependent. I find in this result neither irony nor paradox, for a degree of beneficial dependency has not meant federal control. It has, rather, created the paradigm of what perhaps is the genius of America -- a respectful and effective partnership of individual persons, of private institutions, and of government, cooperating at the juncture where their own and the national good so clearly coincide.

Despite demographic declines and the recent erosion of federal assistance proposed by the Congress, our independent sector remains extraordinarily strong and proportionately critical in the education of America's youth. In the thirteen years I have served as President of Boston College, our freshman applications rose from 6,000 in 1972, to over 16,000 in the spring of 1985 -- creating a ratio of 8 applicants for each of the 2,000 freshman places available. I believe this fact alone speaks eloquently about the continuing desire on the part of America's students for choice in higher education. More than 90% of the students who applied for admission to Boston College (15,000 of the 16,000 applicants) also sought resident status at the College. Over the same span of years of my

presidency, annual tuition tripled from \$2,600 in 1972 to \$7,475 in the year just concluded, and while federal assistance to our students in the form of grants and work-study declined from \$5.170 million in 1980 to \$3.967 million in fiscal 1985, the College's provision of student aid from its own resources rose from \$6.580 million to \$16.276 million in that same five year span (an increase of some 147%). Last year, 62% of all Boston College undergraduates received some form of financial assistance to help them with the costs of education, and although our students who qualify for National Direct Student Loans are, by definition, in severe financial straits, the default rate in those programs among our graduates is 4.3%.

Mr. Chairman and Members of the Subcommittee, in these few valuable moments available to me, I am not going to attempt to describe in any detail the exact manners in which I believe the federal government should continue to pursue its partnership with independent institutions and their students in enriching the educational climate of our country. (I shall attach to my testimony a short appendix containing specific recommendations of proposals for your consideration.) I am sure that you and your colleagues will spend endless hours in weighing and refining the alternative requests that will be expressed to you. Rather, at the opening of these hearings, I would like to take a moment to reemphasize the critical importance of the partnership with the federal government on the part of even the strongest of privately-controlled colleges and

universities. The Congress has made clear in the past, and I fully concur in their judgment, that sustaining of this partnership on the part of government is a cornerstone of national public policy. When you, in 1980, successfully labored to reauthorize the Higher Education Act, you published a list of Congressional Findings that, from the viewpoint of the higher educational community, must remain at the foundation of your current important deliberations. You said:

"Sec. 101. The Congress Finds --

(1) that institutions of higher education ... are critical to the future of the American society, and that the Nation's economic potential, its strength and freedom and the quality of life for all citizens are tied to the quality and extent of higher education available ...

(2) that it is the responsibility of the Federal Government ... to promote freedom of choice to students who wish to participate in post-secondary education, so that they may select institutions and programs which meet their needs and abilities."

I share the beliefs expressed in these Findings. The Higher Education Act, as amended through October 3, 1980, has provided the necessary

foundation and a solid framework for good national educational policy. It has generally provided, with the Congress' leadership, effective means to assist institutions and the students they serve. I believe that the Amendments required to continue federal policy need not be complex or extensive -- but they must be unequivocal in their continued role of providing a firm federal foundation in the partnership that supports choice, diversity, and quality within the higher educational community.

Without descending to particulars, let me enumerate the two broad areas where I believe it is critical that federal partnership continue. In a decade that has witnessed since 1980, in my own institution, individual costs of education rise from \$6,305 to \$11,515, continued federal assistance, in the form of both grants and loans, is essential in providing genuine choice of institution to students from low and middle income families. As costs of education have risen, students are obliged to carry a higher proportion of those costs as each year goes by. This has meant an increased dependency upon such programs as the Guaranteed Student Loan, and a discomfiting increase in the amount of debt with which our young people begin their lives after graduation. I would hope that the Senate will continue support for existing loan programs that have been such a source of sustenance for those who would have no other opportunity for obtaining those precious last dollars that make the difference in one's choice of an institution. At the same time, however, I hope you will take

steps to establish grant programs, so that the rate of increase in the dependency on loans will be halted, or at least slowed. Our students have demonstrated a humbling willingness to help themselves (as have their parents), but commendable as this is, we should not allow them to mortgage, literally and unavoidably, their futures.

If what I have said pertains principally to undergraduate students, it pertains with increased force to those talented young men and women who desire to continue in graduate education, both in the interests of their own careers, and in ways that will serve the national interest. Funds for support of graduate education are alarmingly small. Even the most intrepid of students must hesitate before borrowing to underwrite a doctoral program that will lead to a career in teaching. We are perilously close to losing a generation of scholars, and this at a time when the economic and educational and cultural need for a growing cadre of learned men and women will increase into the next century. I would hope that your deliberations over the coming months will place special emphasis on the critical needs of the nation's graduate students.

While student aid is essential in enabling students for choice, there is one other form of subvention that I hope you will consider: helping colleges, in their capital needs, to do those things that they simply cannot do for themselves.

Colleges and universities reflect unfailingly the increasing complexity and the increasing expectations of our changing society. To the best of their abilities, they have responded to these challenges. But in a period of exponential change, there comes a point when even the best managed, most successful institutions exhaust their capacity to keep up with what manifestly must be done. Here is where the federal government has an opportunity to make the critical difference -- by a program that would address the problem of the formidable costs of maintaining state-of-the-art educational readiness and library holdings and scientific instrumentation, and in sharing and handing on to students the dramatic advances in computer and communications technology. Intellectually, colleges and universities are rapid response entities; fiscally, they are not.

No one expects the federal government to meet all the capital needs of higher education, but here again there is an opportunity for shared responsibility and partnership in meeting forms of capital need that the very success of our modern society imposes upon us.

Thank you, Mr. Chairman, for the opportunity to appear before you at the commencement of these proceedings. I wish you and your colleagues every success in the important deliberations upon which you are embarked.

APPENDIXPELL GRANTS

We recommend that the Pell Grant program be reauthorized and that the formula be modified to provide more assistance to low-income students on a two part basis: (1) half of tuition, mandatory fee and book cost for all eligible low and middle-income students to a maximum of \$2,100, plus (2) a substantial allowance to cover living expenses for all low-income students, also to a maximum of \$2,100. This process would assure access for low-income students to all types of higher educational opportunities, but would limit the participation of middle-income students to just half the "price" charged to them.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

These grants continue to have singular importance to independent colleges. We recommend that the Supplemental Educational Opportunity Grants programs be reauthorized to be funded at no less than 15 percent of the appropriations for Pell Grants. We also recommend that the Supplemental Educational Opportunity Grants funding be directed at students with the greatest need for funds (defined as those students whose expected family contribution is less than one-half of their total cost of education.) We also recommend

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maintaining of the institutional "hold harmless" level at the amount the institution used in academic year 1985/86 (FY 1985 appropriation.) We advise allocation of all new funding above the FY 1985 level only to those institutions whose institutional "Fair Share" exceeds their institutional "Conditional Guarantee" and reestablishment of an institutional matching requirement in the program, with matching funds to come from non-Federal sources.

STATE STUDENT INCENTIVE GRANTS

Reauthorize the program and allow states to use up to 50 percent of new allocations, above FY 1985 level, to establish or sustain a 50/50 Federal/State matching workstudy program.

COLLEGE WORKSTUDY

Reauthorize the program without changing the existing reallocation procedures. Allocate new funding above the FY 1985 level as in Supplemental Educational Opportunity Grants.

NATIONAL DIRECT STUDENT LOANS

There is an anomaly in the present system whereby colleges with an effective program, i.e., a high percentage of cash collections and a low default rate, are penalized by being ineligible for further capital contributions. We do not feel that this was the intent of the original legislation and recommend a reconsideration of this policy.

We further recommend an expansion of the loan limitations for graduate and undergraduate students to effect the result of both reducing dependency on the Guaranteed Student Loan Program and eliminating the burden of concurrent loan repayments for the most needy students.

We also suggest an extension of the authority to forgive or cancel loans for certain teaching careers and other forms of critical service to the nation.

Finally, we hope that the program will continue beyond 1990 when the funds are scheduled to revert to the government.

GUARANTEED STUDENT LOANS

Reauthorize the program increasing the annual loan limits for those undergraduates who have completed their first two years of study toward a bachelor's degree and for graduate students to \$5,000 and \$8,000, respectively.

Aggregate limits are increased to \$20,000 for undergraduates and an additional \$25,000 for graduate students. Limit all loans to need remaining after all Federal grant, work and loan benefits, together with all expected parental/student contributions are taken into account. Provide for borrower-requested consolidation of students loans. Repeal the origination fee.

PLUS LOANS

Reauthorize the PLUS Loan Program, making it more attractive to lenders and, therefore, a more viable program for borrowers, by allowing consolidation or refinancing of loans, and by allowing secondary markets to adjust payment schedules with the borrower.

MASTER CALENDAR

Establish a master calendar for the delivery of student aid in order that the students may plan for their educational costs in a stable environment.

VERIFICATION

Require verification documentation to be submitted on all Federal student aid applications to prevent any potential misuse of federal monies.

TAX PROPOSALS

While jurisdiction for revenue legislation does not rest with this sub-committee, we are also concerned about proposals for revisions in our tax laws which could substantially reduce contributions to colleges by many donors, large and small, particularly those who do not itemize such deductions on their tax returns.

We are also concerned about proposals to eliminate the opportunity for private colleges to continue to borrow for construction and renovation of facilities and replacement of academic equipment through the use of tax-exempt bonds. The lower cost of interest which can be obtained through such borrowings directly benefits our students.

STUDENT AID AT BOSTON COLLEGE

The significance to Boston College of the programs discussed above can be measured by the following illustrations:

At Boston College in the academic year 1984/85:

- . 60% of our students received assistance from a variety of sources.
- . 93% of all Federal aid recipients were dependent upon their families for support.

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- . The participation rate of our undergraduate students in the Pell Grant program was 10.4%, with average Pell Grant awards of \$1,209.
- . The participation rate of our undergraduate students in the Supplemental Educational Opportunity Grants program (the other major Federal need-based grant program) was 13.4% with an average award of \$872.
- . The participation rate in the College Workstudy Program was 20.0% for undergraduates and 11.5% for graduates, with average earnings of \$827 for undergraduates and \$867 for graduates.
- . The participation rate in the Guaranteed Student Loan program was 40.2% for undergraduates and 34.0% for graduates, with average loans of \$2,375 for undergraduates and \$4,377 for graduates.
- . The participation rate in various State Scholarship and Grant programs was 13.0%, with an average award of \$1,125.
- . The participation rate in Boston College Scholarships and Grants was 54.4%, with an average award of \$1,595.

Senator STAFFORD. Thank you very much, Father. Let me say that I am living by the same rules myself. The Commerce Committee gave me 2 minutes to introduce a prospective member of the Federal Communications Commission.

Dr. Liston, we would be delighted now if we might hear from you.

Dr. LISTON. Thank you, Mr. Chairman, members of the subcommittee, Senator Pell from my own State of Rhode Island. Senator Pell, I would like to report that the humidity in Rhode Island this morning when I left was 100 percent, which is 10 percent more than it is in Washington.

My name is Edward Liston. I am president of the Community College of Rhode Island. I am here representing CCRI, New England's largest community college, and the National Council of State Directors of Community and Junior Colleges.

My comments today are concerned with the future of our Nation, its economy, its quality of life, and its greatest natural resource—the American people. In the early 1960's, this Nation experienced a growing awareness that education could go a long way toward solving the social problems that plagued a significant percentage of the country's population.

The Higher Education Act of 1965 opened the door to post secondary education for many who would not otherwise have been able to continue their studies beyond the high school level.

Today, 20 years later, the need for the programs funded through the Higher Education Act are as critical as they were when the legislation was first passed. We still have substantial numbers of low-income people, and the numbers of minorities, blacks, Hispanics, Asians, and others are expanding.

We need to make sure that these people have access to the education they need to produce the goods and services our economy demands. Community colleges enroll more than half of the minority undergraduates in this country. Forty-three percent of black undergraduates, 54 percent of Hispanic undergraduates, and 43 percent of Asian undergraduates attend 2-year postsecondary institutions.

At the Community College of Rhode Island, we serve over 12,000 students on two major campuses and satellite facilities throughout the State. Sixty-two percent of our students are women and nearly 45 percent of our students are 25 years of age or older. A high percentage work while pursuing their educational goals.

In my view, there are three important aspects of the Higher Education Act that particularly relate to students at the Community College of Rhode Island and our community colleges across the Nation.

The first is Federal financial aid. Eight hundred and fifty thousand community college students receive Pell grants. For many, it provides the helping hand they need. Last year at CCRI alone, 2,651 students received nearly \$2 million in Pell grants. At my college, 286 students received \$260,000 in Federal college work-study funds this past year, and 990 students secured \$1.6 million in guaranteed student loans.

Seventy-five percent of all community college Pell grant recipients have annual incomes below \$15,000. Forty percent of these students are self-supporting and one-third are minorities.

In 1979, the maximum Pell grant covered about 46 percent of average college attendance costs. Next year, it will cover only 31 percent. The most recent available figures show that 70 percent of the students attending community colleges full time also work; 80 percent of the part-time students work. These people are paying for what they can in getting their education; they need financial aid.

We, therefore, urge you to give renewal of the Pell grant program your highest priority. You can continue to serve the interests of our neediest students by maintaining the 60 percent cost allowance and matching further later increases in the maximum Pell grant with like increases in the cost allowance. To do less will jeopardize the opportunity for thousands of our neediest students to obtain the support they need to complete their studies, obtain successful employment, and make a positive contribution to our society.

Developing institutions, title III: Students at CCRI have also benefited from a \$600,000 title III grant made available under the Higher Education Act. Our college is just now concluding a 3-year effort which has resulted in the development of a comprehensive computer literacy program for students, faculty and staff, as well as improved organizational development and long-range planning efforts.

Technical and Continuing Education Programs: The AACJC/ACCT Joint Commission of Federal Relations has proposed an amendment to title I of the Higher Education Act. The proposed amendment would encourage postsecondary institutions to develop programs that would be conducted in coordination with the Federal Job Training Partnership Act and Carl Perkins Vocational Act Programs.

The Community College of Rhode Island has made major inroads in the development of partnerships with business and industry. We provided customized training for employees which results in the upgrading of skill levels of participants.

We are receiving Federal grants through the Job Training Partnership Act to provide basic skills training for youth and adults. To strengthen our linkages with the business community, we play an active role in local chambers of commerce. I, for instance, serve on the Northern Rhode Island Private Industry Council, and our off-campus programs are constantly reaching out to the business community throughout the State.

You and your colleagues deserve the highest praise for having the foresight to pass the Higher Education Act of 1965. It has provided an opportunity for all Americans to better their lives and contribute to our economy. It is my hope that you will continue to provide and expand these necessary and worthwhile programs so that our Nation and our people can continue to grow and prosper.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Liston and responses to questions submitted by Senator Stafford follow:]

Testimony

of

Edward J. Liston
 Community College of Rhode Island, President
 National Council of State Directors of Community
 and Junior Colleges, State Director
 to the
 Subcommittee on Education, Arts and Humanities
 Committee on Labor and Human Resources
 United States Senate
 September 10, 1985

Mr. Chairman and Members of the Subcommittee

My name is Edward J. Liston, and I am president of the Community College of Rhode Island. I am here representing CCRI, New England's largest community college, and the National Council of State Directors of Community and Junior Colleges.

My comments today are concerned with the future of our nation--its economy, its quality of life, and its greatest natural resource, the American people. For the future of this nation rests on its ability to provide the American workforce with the knowledge and skills required to remain productive and globally competitive--in short, its ability to educate its people.

The United States is facing increased competition from foreign countries. To protect our quality of life and to keep our economy strong we must remain competitive. But we can't begin to compete without an educated, highly skilled populace.

In the early 1960's, the nation experienced a growing awareness that education could go a long way toward solving the social problems that plagued a significant percentage of the country's population. The Higher Education Act of 1965 opened the door to postsecondary education for many who would not otherwise have been able to continue studies beyond the high school level. This Act succeeded in breaking down the barriers that prevented many low income people from attaining the education they need to live meaningful lives and make positive contributions to their community and country.

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Today, twenty years later, the need for the programs funded through the Higher Education Act are as critical as they were when the legislation was first passed. We still have substantial numbers of low income people and the numbers of minorities--blacks, Hispanics, Asians and others--is expanding. We need to make sure that these people have access to the education they need to produce the goods and services our economy demands. For many of these people, a college education will not be possible without federal student assistance programs.

Renewal of the Pell Grant program should be given the highest priority.

About 850,000 community college students receive Pell Grants.

Community colleges pride themselves on being able to offer an opportunity for quality education to people who would otherwise not be able to attend college. We are accessible institutions. Our tuitions are low. And we have a substantial impact on the economy of this country.

There are 1,221 community, technical and junior colleges, which enroll as many as five million students in credit programs each year. Over 60%, or 3.3 million, register in occupational programs, and 1.5 million are enrolled in transfer programs that lead to baccalaureate degrees. An additional 1.2 million students are enrolled in non-credit programs specifically designed to enhance job skills and make them more employable.

Community colleges enroll more than half of the minority undergraduates in this country. Forty-three percent of black undergraduates, 54 percent of Hispanic undergraduates and 43 percent of Asian undergraduates attend two-year postsecondary institutions.

At the Community College of Rhode Island we serve over 12,000 students on two major campuses and satellite facilities across the state. Sixty-two percent are women and nearly 45% are 25 years of age or older. A high percentage work while pursuing their educational goals.

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In my view, there are three important aspects of the Higher Education Act that particularly relate to students at CCRI and at community colleges across the nation.

Federal Financial Aid

For many, it provides the helping hand they need. Last year, 2,651 CCRI students received nearly \$2 million in Pell grants.

286 CCRI students received \$260,000 in federal college work study funds and 990 students secured \$1.6 million in guaranteed student loans.

We believe that Pell Grants are the foundation of student financial aid. Combined with appropriate self-help, this program should give even the neediest students an opportunity to attend a local community college. With the rising cost of college tuition, however, student aid purchasing power has declined and the concept of the Pell Grant Program as an access program is being seriously diminished. Additional slippage could turn student financial aid into a middle class program.

Seventy-five percent of all Pell Grant recipients have incomes below \$15,000. Forty percent are self-supporting. One-third are minorities. In 1979, the maximum Pell grant covered about 46 percent of average college attendance costs; next year it will cover only 31 percent. The most recent available figures show that 70 percent of the students attending community colleges full time also work; 80 percent of the part-time students work. These people are paying what they can for their education. They need financial aid.

We therefore urge you to continue the Pell Grant Program as the basis of any student aid program and to make the improvements needed to guarantee that students receive a reasonable level of assistance. You can continue to serve the interests of our neediest students by maintaining the 60 percent cost allowance,

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and matching further increases in the maximum Pell Grant with like increases in the cost cap on commuting students. To do less will jeopardize the opportunity for thousands of our neediest students to obtain the support they need to complete their studies, obtain successful employment and make a positive contribution to our society.

Developing Institutions

Students at CCRI have also benefitted from a \$600,000 Title III grant made available under the Higher Education Act. The college is just now concluding a three-year effort which has resulted in the development of a comprehensive computer literacy program for students, faculty and staff, as well as improved organizational development and long range planning efforts.

Title III grants for developing institutions have enabled community colleges to keep pace with larger, more affluent institutions in meeting the changing needs of our constituencies. This program should be continued at current levels so that colleges may continue to expand their efforts to meet diverse student needs.

Technical and Continuing Education Programs

The AACJC/ACCT Joint Commission of Federal Relations has proposed an amendment to Title I of the Higher Education Act which authorizes a grants program to increase the capacity of postsecondary institutions to serve working adults and other part-time students, particularly in technical and paraprofessional programs which enhance economic development and national productivity, and in areas with shortages of trained personnel.

The proposed amendment would encourage postsecondary institutions to develop programs that would be conducted in coordination with federal Job Training Partnership Act and Carl Perkins Vocational Education Act programs.

The Community College of Rhode Island has made major inroads in the development

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of partnerships with business and industry. We provide customized training for employers of major companies which results in the upgrading of skill levels for participants. We are receiving federal grants through the Job Training Partnership Act to provide basic skills training for youth and adults. To strengthen our linkages with the business communities, we play an active role in local Chambers of Commerce. I serve on the Northern Rhode Island Private Industry Council. Our office of Off Campus Programs is constantly reaching out to the business community to see how we can meet their needs.

The linkages between colleges and business and industry can have a significant impact on the economic development of their communities. These linkages need to be strengthened and expanded and I would strongly favor any program that can facilitate this effort.

Conclusion

As you consider reauthorization of the Higher Education Act, I would ask that the following provisions be included:

- 1) Adequate student financial assistance so that no one is barred from an opportunity for postsecondary education because of cost;
- 2) Adequate assistance for institutions willing to provide training for jobs and programs designed to improve the skill level, size and productivity of the American workforce.

You and your colleagues deserve the highest praise for having the foresight to pass the Higher Education Act of 1965. It has provided an opportunity for all Americans to better their lives and contribute to our economy. It is my hope that you will continue to provide and expand these necessary and worthwhile programs so that our nation and our people can continue to grow and prosper.



Community College of Rhode Island

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Office of the President

October 11, 1985

The Honorable Robert T. Stafford
 Chairman
 Subcommittee on Education, Arts
 and Humanities
 United States Senate
 Washington, DC 20510

Dear Senator Stafford:

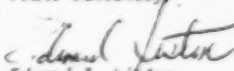
I appreciated the opportunity to appear before the Subcommittee on Education, Arts and Humanities to testify on the Reauthorization of the Higher Education Act. Please pardon my delay in responding to your questions.

1. In my view, parents should bear a significant portion of the financial burden of a child's higher education if at all possible. The student should also make a reasonable contribution by working part time and during the summer months if it does not interfere with academic progress. State and federal governments should make a substantial investment in the higher education of America's youth because of the obvious long term social and economic benefits to the nation. Educational institutions should contribute also according to their means as is now the case.
2. I agree with Frank Newman, President, Education Commission of the States, and author of a recent study under the auspices of the Carnegie Commission when he made the observation that student loans have been detrimental in some respects to students and to the nation. Many young people are precluded from entering public service occupations upon graduation from college because of the direct burden they have incurred while getting their degree. For low cost institutions, I feel that the Pell Grant program is absolutely vital along with the federal work study program in giving people the opportunity to pursue higher education without mortgaging their future.

3. I do not feel that the present level of financial support is inadequate insofar as the number of students served. The amount of aid per student (Pell Grant) should be increased because of inflation.
4. Institutions should be accountable for developing, publishing, and monitoring a standard of satisfactory progress for students receiving financial aid. This standard does not (and should not) be uniform, but should be reasonable for the type of institution and students served and consistent with the overall standards of the college or university.

With warmest regards, I am

Yours sincerely,


Edward J. Liston
President

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Senator STAFFORD. Thank you very much, Dr. Liston. I think I can speak for the committee when I say that if the Nation's economy and debt structure improve, we would be the first to try to expand the programs that we have that support higher education because this committee is convinced that the Nation's future depends upon the caliber of education that we have and the access and equality of opportunity that American youth have to receive an education through postsecondary years.

I think most of you who are in education know how difficult a time we have had the last few years to keep the programs that we have got. But I think I can say that I expect the programs we have supporting higher education will remain in place through as many years ahead as I can see, and that is realistically 3½, maybe, in the Senate. [Laughter.]

They will certainly not be diminished in that time period. If the possibility occurs for us to increase them, we intend to do so.

Ms. Cann, we would be very glad to hear from you.

Ms. CANN. Thank you. Mr. Chairman and members of the committee, I am Dorothy Cann, the director of Apex Technical School in New York, which is a proprietary postsecondary institution.

As a former financial aid director and a past title IV recipient myself, I appreciate the opportunity to address you today.

For the past 10 years, I have been actively involved in a variety of financial aid activities, including an appointment in 1976 to a panel of experts on the new funding process. For the past several years, I have served as a liaison to the Department of Education for the proprietary school sector, and presently I serve as the treasurer of the National Student Aid Coalition.

But today I would like to comment and make suggestions on the proprietary sector as it relates to the title IV programs, but I also

come to you today to ask you a question about our country's future plans for training today's citizens for tomorrow's jobs.

I believe title IV is not only essential as part of this plan, but provides the most effective and flexible means to address training, retraining, and educational needs of our adult population.

APEX Technical School is located both in New York City and Fort Lauderdale, FL, and we train 3,000 students a year in trades such as diesel mechanics, auto mechanics, auto body repair, refrigeration and air conditioning. In 1984, in a joint venture with the French Government and the Paris Chamber of Commerce, we opened the French Culinary Institute, which teaches the basics of French classical cooking.

I believe that APEX and the French Culinary Institute represent the nontraditional students. What does this profile of the nontraditional student mean? Well, first, let us look at some of the realities in the present state of the American economy and education.

As we know, the economy of the United States is shifting from an industrial base to a service and a high-technology base. Four out of five future jobs will require training, but not necessarily a college degree.

Unskilled workers proliferate in this country, primarily due to the large dropout rate among high schools, especially among minority youth. For example, in my State of New York, one of the States most committed to education, 53 percent of all blacks in the State over 18 have not completed high school, nor 58 percent of all Hispanics.

Not only do unskilled workers proliferate, but we now face the challenge of competing in a world labor market. American manufacturers are increasingly taking advantage of low-cost production labor in other countries, and what this means is that the higher cost to the American worker must be commensurate with an increase in their skills.

So we need facilities to provide new training and a familiarity with high technology. Finally, the American adult changes careers and jobs an average of five times in their lifetime. So how are we going to address these problems of the displaced worker, the career changer and the high school dropout?

If one is laid off or if one is underemployed and if one is a new immigrant to this country with no marketable skills, where is one to turn? If four out of five jobs will not require a college degree, who is going to provide the skills training, industry?

I would point out to you from a professor at Stanford, Lewis Mayhew, in his book "Higher Education of Occupations"—studies show that only large corporations operate formally organized educational training programs, and these are more frequently for managerial and professional staff than for technical or skills-level workers, thus the need and the mission of career schools.

In fact, today proprietary schools provide 70 percent of all the postsecondary vocational training in the United States. While it is true that proprietary school students have benefited from title IV, they are not being treated fairly in regard to certain title IV policies.

At almost every level, these programs present discriminatory problems for our students, from the state allotment formulas through to the application for the Pell grant itself.

Some of these problems stem from legislative action, while others are derived from just arbitrary decisions made within the Department of Education itself. Let me give you some examples.

In the application for the Pell grant, the Department of Education has repeatedly refused to use the term "postsecondary institution." It only refers to colleges in applying for the grant.

The formula for disbursing campus-based aid to institutions, and specifically to clock hour schools, uses a different formula and has more limiting criteria. Title IV funds are disbursed in SSIG to many States that do not allow proprietary school students to participate in these programs.

Clock hour students are required to do 20 percent more work for any title IV dollar they receive, and the calendar that the Department uses is not sensitive to the needs of the nontraditional student.

These are but some of the inequities that occur, and given the needs of our country for skilled labor and given the vision that Congress displayed when these programs and institutions were deemed eligible to participate in title IV, I am sure it was not intended that these obstacles and discriminatory practices should limit their eligibility.

So today I would ask the Congress to include in the reauthorization language a simple statement which prohibits the Department of Education or any State agency receiving title IV funds from discriminating against proprietary school students.

Thank you.

[The prepared statement of Ms. Cann follows:]

SUBCOMMITTEE ON EDUCATION,
ARTS AND HUMANITIESTuesday, September 10, 1985
SR-385 Russell Senate Office Building
Testimony of Dorothy Cann

Mr. Chairman and members of the Committee, I am Dorothy Cann, the Director of the Apex Technical School, a proprietary, postsecondary institution based in New York. As a former Financial Aid Director and a past Title IV recipient, I appreciate the opportunity to address this subcommittee. For the past ten years I have been involved in a variety of financial aid activities, including appointment in 1976 by then Commissioner of Education, Ernst L. Boyer, to a panel of experts on the new funding process. For the past several years, I have served as a liaison to the Department of Education for the proprietary school sector and presently I serve as the Treasurer of the National Student Aid Coalition.

Today, I would like to comment and make suggestions on the proprietary sector as it relates to the Title IV programs. But I also come to you today to ask about our country's future plans for training today's citizens for tomorrow's jobs. I believe Title IV is not only essential as part of this plan, but provides the most effective and flexible means to address the training, retraining and educational needs of our adult population.

Apex Technical School is located in New York City with a branch campus in Fort Lauderdale, Florida. Apex trains over 3,000 students a year in such diverse trades as welding, diesel mechanics, auto body repair, auto mechanics, refrigeration and air conditioning. In 1984, in a joint venture with the Paris Chamber of Commerce, Apex opened a new branch, The French Culinary Institute, which teaches the basics of French classical cuisine. Our educational philosophy at Apex is to offer a maximum amount of vocational training in a minimum amount of time. Time is precious to our students. For every hour they are in school is an hour they are not working to earn a living.

Our students differ from the traditional college student. The average Apex student is a 25-year old male from an ethnic minority group. Forty-five percent of our students do not have a high school diploma or its equivalent. We train a fair representation of whites, blacks, hispanics, Asians, immigrants, unemployed, underemployed and displaced workers. Schools like Apex are in the forefront of responding to the needs of an economy changing from an industrial base to a service oriented one, and to one of higher technologies.

At the French Culinary Institute, on the other hand, our students are non-traditional but in a different way. The average age is 31, 40% have some college background, 30% are college graduates. Blacks, Asians and Hispanics are in the minority and the average income level is middle-class or better.

I believe that Apex Technical School and the French Culinary Institute, each in its own way, represents the non-traditional student. With variations due to local demographics and type of programs offered, they are representative of students at career schools across the county. What does this profile of the non-traditional student mean? First let us look at some realities of the present state of the American economy and education:

1. The economy of the United States is shifting from an industrial to a service and high technology base.
2. Four out of five future jobs will require training, but not necessarily a college degree.
3. Unskilled workers proliferate, primarily due to the large percentage of high school dropouts, especially among minority youth. For example, in my state of New York, one of the states most committed to education, 53% of all blacks over 18 have never completed high school; 58% of all hispanics have never completed high school.

4. Not only do unskilled workers proliferate, but we now face the challenge of competing in a world labor market. American manufacturers are increasingly taking advantage of low-cost production labor in other countries. The higher cost of the American worker must be commensurate with an increase in skills, so we need facilities to provide this training and familiarity with the new technologies.

5. The American adult changes careers/jobs an average of five times during his/her lifetime.

How are we going to address the problems of the displaced worker, the career-changer, and the high school dropout? The opportunity to pursue further education and training as an adult is one of the most cherished aspects of the American educational system, and critical if one is forced to change careers due to a changing economic environment. If one is laid off, if one is underemployed, if one is a new immigrant to this country without marketable skills, where is one to turn? If 4 out of 5 jobs will not require a college degree, who is going to provide the skills training? The colleges? Industry? The apprenticeship system? According to Dr. Lewis B. Mayhew, Professor of Education at Stanford, who wrote in "Higher Education of Occupations":

"... Careful observers of the apprenticeship system judge it generally inadequate to prepare the large number of skilled workers which the technological society demands. Trade unions limit the number of apprentices accepted, in part to protect job equities of their members. Employers frequently restrict apprenticeships on the ground that it is more efficient to pay overtime to experienced workers than to pay low wages to less experienced and less effective apprentices. Another alternative is to expect business and industry to provide extensive educational programs ... Other studies, however, ... (show) that only larger firms operate formally organized educational training programs, and that these are more frequently for managerial and professional employees than for technical or skills level workers."

Thus the need for Apex exists. Not just Apex and the French Culinary Institute, but most career schools are filling that need: making people entry level ready with skills needed to enter the work force or to respond to the changing needs of industry. For example, Apex retrained displaced workers from the Mahwah, New Jersey Ford Motor Co. plant and workers from the Seatrain Shipbuilding Co. in the Brooklyn Navy Yard. In fact, proprietary schools provide 70% of all postsecondary vocational training in the United States today.

Thirteen years ago the Congress had the foresight to recognize this fact and extended Title IV programs to the non-traditional students in proprietary schools. Some points made in a 1983 study conducted by the National Commission of Student Financial Assistance illustrate the success of that act in providing training opportunities to a large share of the population:

1. Nearly two-thirds of students at private career schools applied for financial assistance;
2. The private career institution sector is providing financial assistance to individuals with an average age of over 25;
3. 54% of those receiving financial assistance are from minority groups;
4. 56% of those receiving financial assistance come from families with incomes under \$6,000; and
5. These institutions serve a greater proportion of independent or self-supporting students than other postsecondary sectors; 54% of those receiving aid at a private career school do not have any parental support.

I would hope that it is clear to the committee how important Title IV funds are to the fulfillment of our national economic and educational goals.

On the other hand, although proprietary school students have benefitted from Title IV, they are not being fairly treated with regard to certain Title IV regulations. At almost every level, these programs present discriminatory problems for our students, from the state allotment formulas through to the application for the Pell Grant itself. Some of these problems stem from legislative language while others derive from arbitrary decisions made in the Department of Education.

Let me give you some examples:

1. In the application for the Pell Grant itself, the Department of Education has repeatedly refused to use the term postsecondary institution. The form is an application for "colleges." Given the lack of information disseminated on these programs in general, this sole reference to colleges could confuse students over whether Pell Grant funds could be used at career training schools. I believe the term postsecondary institution is essential on the application.

2. The formula for disbursing campus-based aid to clock hour schools uses different and more limiting criteria. In applying for campus-based aid (SEOG, NDSL, CWS), proprietary schools must count only students enrolled in eligible programs for Title IV funds, making adjustments for students who do not complete the course of study. This seems a fair way to report enrollment. But these funds are dispersed on a "fair-share" basis. We share these funds with universities and colleges. The enrollment figures that universities and colleges report are taken from Hgis data which include many students and programs that are not Title IV eligible. In their case, there is no adjustment made for students who do not complete the academic year. How can it be said that we are participating in fair-share if we are not comparably evaluated? To illustrate my point, the students at Apex Technical School qualified for \$1.6 million in Pell Grant aid last year and their total SEOG allotment was \$50,000. Meanwhile, at the University of California Irvine, the total Pell expenditure was \$2.1 million (31% more than Apex) but they have an SEOG allotment of \$529,000 (1000% more than Apex).

3. Title IV funds are dispersed to state grant programs although they discriminate against the career school student. Each state is allotted SSIG funds based on the number of students enrolled in its postsecondary schools, and it can incorporate these funds into its state grant program. Most states have excluded proprietary schools in their SSIG programs, but they are more than happy to count proprietary school students in asking for federal funds under the state allotment formula. I would ask the Senate to deny SSIG funds to those states that ignore the needs of proprietary school students in their state grant programs.

4. Clock hour students are required to do 20% more work for any Title IV funds they seek. Most traditional schools measure a student's course load by credit hours, while most trade schools use clock hours. The Department of Education has chosen to set 900 clock hours as the equivalent of 24 credit hours. Under this definition a full-time clock hour student must attend 24 hours per week for 37 and 1/2 weeks in order to be eligible for a full grant. The average full-time college student attends class 12 hours per week for 30 weeks. In other words, a non-traditional student entering school on September 17 would have to attend until May 24 of the following year, without even Christmas Day off. The Congress itself has defined a full clock hour year as 720 clock hours in Veterans Administration legislation. When presented with these inconsistencies, the Department of Education has failed to justify its position. (See addendum).

5. The calendar that the Department of Education uses to administer Title IV funds is not sensitive to the needs of non-traditional students. We have students who start classes all year round. Someone who is out of work needs training immediately. If laid off in June, he/she wants to start training in June. Pell Grant applications for an award year are not accepted after May 1 of that award year. Students starting school between May 1 and June 30 can not receive their grant until July 1.

These are but some of the inequities which occur in Title IV administration. Given the needs of our country for skilled labor, given the vision that Congress displayed when these programs and institutions were deemed eligible to participate in Title IV, I am sure it was not intended that obstacles and discriminatory practices should limit their eligibility. I would ask that the Congress, in the reauthorization process, examine these issues carefully in order to provide freedom of choice to the non-traditional student, along with unrestricted access to and equitable participation in the Title IV programs.

Thank you for this opportunity and I will try to answer any questions that you might have.

ADDENDUM
DOROTHY CANN TESTIMONY

CLOCK HOUR/CREDIT HOUR CONVERSION

ADDENDUM

THE ISSUE

Some private vocational schools have elected to change their method of measuring student progress from clock hours to credit hours. The Department of Education's Office of Inspector General has expressed concern that the conversion to credit hour measurement has resulted in an excessive increase in the Pell amount awarded to students.

The issue of conversion has arisen before. The Department of Education decided at that time the accrediting commissions were the proper authority to review conversion requests. However, it is necessary to review the issue at this time because of its relationship to other areas of concern.

The conversion issue is complicated by the problem of conflicting definitions of what determines an academic year in those schools which measure courses in clock hours. Different definitions are used by:

1. Department of Education
2. Veterans Administration
3. Social Security Administration

In a memorandum from James Moore to Peter Voight dated July 9, 1979, Mr. Moore stated:

"We (Department of Education) should refer any present or future institutional requests for clock hour to credit hour conversion to the appropriate accrediting group for review and approval.

"Finally, as we agreed at our last meeting with the accrediting groups, we should only employ the clock hour to credit hour conversion as a problem solving technique when a specific case arises."

The purpose of this paper is to provide a discussion of the means by which fair and equitable equations of clock hours to credit hours can be established for all institutions.

It is in the interest of all parties (students, the Department of Education, the accrediting commissions, and the schools) to develop fair and representative policies to speak to these issues.

BACKGROUND

Because of their traditional focus on "hands-on" lab work (versus the lecture and outside preparation orientation of traditional education), private vocational schools have generally measured a student's progress in clock or contact hours. Although no definition of credit hour exists in the Department of Education regulations, a history of the presumed equivalency (of clock hours to credit hours) can be found by examining the minimum course work that is required to receive one academic year of financial aid.

*Submitted to Department of Education, Office of Student Financial Assistance by NATTS, AICS and AGCE. 5/11/84

DEPARTMENT OF EDUCATION1972 to 1978

Initially, under the PELL Grant program (then BEOG), the amount of a student's grant was based on a combination of the length of the program and a minimum number of clock hours per week. There was a discrepancy between PELL and the Campus-based academic year. A student received a full-time award in Campus-based for attending a minimum of eight months at 24 clock hours per week, approximately 760 hours (32 weeks x 24 clock hours). However, an arbitrary figure of 1200 clock hours was assigned as equal to a full-time year with regards to the PELL (BEOG) grant.

1979 to Present

On January 24, 1979, a new set of regulations was issued which introduced the concept of quantity of training rather than elapsed time. This regulation, for example in the GSL program, redefined the minimum program eligibility from six calendar months to 600 hours. Thus, education was measured not in the length of the time it took to complete a program, but rather in the actual amount of training which occurred. At the same time, the minimum amount of instruction to qualify a student for a full academic year was decreased from the previous 1200 clock hours to 900 clock hours and for Campus-based was increased to 900 clock hours.

This change was apparently justified by the following assumptions. According to community standards (see page 5), lab instruction is converted on the basis of 30 hours equalling one semester credit hour and 45 hours of shop equalling one semester credit hour. If the curriculum were half lab and half shop, then an appropriate conversion would be 37.5 clock hours for each credit hour. This would result in 900 hours equalling 24 semester credit hours, the minimum definition of academic year for schools measuring in credits.

VETERANS ADMINISTRATION

In 1979, the Veterans Administration reduced its minimum full-time definition from 30 for hands-on dominated programs and 25 for theory dominated programs to 22/18 respectively for clock hours per week, and from 15 to 12 for credit hours per week.

At the same time, the Department of Education decreased its minimum requirement for a full-time student from 15 to 12 credit hours per week; however, they did not decrease the parallel requirement for clock hour schools.

According to the appendix of the regulation, the 900 hours were based on the Veterans Administration's previous requirement of 25 clock hours per week times 36 weeks (nine months). The Veterans Administration then reduced this requirement to 22 hours per week for shop-oriented courses (792 total clock hours) and 18 hours per week for courses which consisted primarily of theory-related work (648 total clock hours). It is significant that as early as 1979 the Veterans Administration recognized that private vocational schools are not necessarily homogeneous and vary as to the degree of theory taught.

Social Security Standards

Unless a student was in postsecondary school prior to May 1, 1982 or is under age 18, students are no longer eligible to receive Social Security benefits for attendance at postsecondary schools.

The current standards state the definition for full-time status is 20 hours a week for 36 weeks (720 total clock hours).

Increased Theory at Private-Vocational Schools

The majority of curricula at private vocational schools contains a greater element of practice than is the case in traditional higher education. In fact, the equivalency of 900 clock hours to 24 credit hours may have been reasonable when private vocational education was almost entirely "hands-on." However, as more private vocational schools move into theoretical courses concerned with high technology, and as more community colleges and private institutions move towards occupational specialties, the distinctions between the two sectors has been blurred.

COMMUNITY STANDARDS

Although Department of Education regulations contain no prescription for conversion, there is considerable uniformity in the standards set forth by the higher education community to determine credit hour equivalences. (See Appendix for a list of organizations and manuals which all suggest identical conversion formula.)

We assume the Department of Education follows these community standards for assigning academic credit:

1. one semester credit hour for each fifteen classroom contact hours requiring 30 hours of outside preparation or equivalent;
2. one semester credit hour for each 30 hours of lab work plus the necessary outside preparation or equivalent;
3. one semester credit hour for 45 hours of shop instruction (contact hours or equivalent).

Full-time semester academic year (AY) (credit hours) = 24
 Full-time academic year (AY) (clock hours) = 900
 Full-time quarter academic year (AY) (credit hours) = 36

<u>Course Type</u>	<u>Community Conversion Formula</u>		<u>Semester AY Credit</u>		<u>Clock Hours Needed To Complete AY As Defined In Credit Hour Definition</u>
100% Theory	15 Hours	X	24	=	360
100% Lab	30 Hours	X	24	=	720
100% Shop	45 Hours	X	24	=	1,080

<u>Course Type</u>	<u>Community Conversion Formula</u>		<u>Quarter AY Credit</u>		<u>Clock Hours Needed To Complete AY As Defined In Credit Hour Definition</u>
100% Theory	10 Hours	X	36	=	360
100% Lab	20 Hours	X	36	=	720
100% Shop	30 Hours	X	36	=	1,080

CASE SAMPLE NO. 1

<u>Institution</u>	<u>Program</u>	<u>Clock Hours</u>		<u>Credit Hours</u>	
Universal Technical Institute Phoenix, AZ	Auto/Diesel Mechanics	680	- Lecture	45.3	- Lecture
		238.5	- Lab	8	- Lab
		521.5	- Shop	11.6	- Shop
		1,440	- TOTAL	65	- TOTAL
		1.6	- Pell Award	2.7	- Pell Award
Mesa Community College	Auto/Diesel Mechanics	510	- Lecture	34	- Lecture
		435	- Lab	41.5	- Lab
		945	- TOTAL	48.5	- TOTAL
		1.0	- Pell Award	2.0	- Pell Award
Yava Pai Community College	Auto/Diesel Mechanics	465	- Lecture	31	- Lecture
		750	- Lab	25	- Lab
		1,215	- TOTAL	56	- TOTAL
		1.4	- Pell Award	2.3	- Pell Award

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CASE SAMPLE NO. 2

<u>Institution</u>	<u>Program</u>	<u>Clock Hours</u>		<u>Credit Hours</u>	
Apex Technical Institute New York, NY	Refrigeration, Air Conditioning and Appliance Training	345	- Lecture	23	- Lecture
		280	- Shop	6	- Shop
		625	- TOTAL	29	- TOTAL
		.69	- Pell Award	1.2	- Pell Award
New York City Technical College (both technical and general requirements)	Environmental Control Technology Heating/Air Conditioning	675	- Lecture	45	- Lecture
		1,395	- Shop	31	- Shop
		2,070	- TOTAL	76	- TOTAL
		2.3	- Pell Award	3.1	- Pell Award

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Classroom work is assumed to be theory and lecture. Lab work is assumed to contain some didactic instruction and demonstration, as well as require outside preparation, albeit less than is the case for theory classes. Shop work is considered to consist mostly of practicing skills to increase speed or proficiency and not to require outside preparation.

Present Day Profile of NATTS Schools

A sampling of catalogs of NATTS institutions shows that approximately half of the coursework is now theory-oriented. Since these theory courses have the same outside preparation requirements as those found in traditional higher education. The equivalence of 15 hours (for 1 credit) is appropriate for theory hours.

These are not isolated incidents, but rather represent the norm at numerous community colleges teaching identical career occupations as taught at private vocational institutions.

RECOMMENDATIONS

Thus we continue our recommendations that:

- * Clock hour students be treated equally with credit hour students when receiving student financial aid.
- * Department of Education recognize the highly diverse curriculum found in proprietary schools.
- * Accrediting commissions continue to provide the direction in differentiating between theory, lab and shop.
- * Requiring 900 clock hour academic year is excessive and should be reviewed to assure it is appropriate to the varied courses offered by schools.

If courses are primarily lab and shop, conversion to credit hour, using current community standards, will result in the same number of academic years, in that 900 clock hours would convert to 24 credit hours. Other courses, however, have considerably greater theoretical components and thus outside work. In those instances, less than 900 hours would equal a 24 credit academic year.

The ownership status of the institution should not in any way impact how much aid a student receives. If the clock hour equivalency of an academic year were equitable, there would not be an incentive to convert. The fact that some credit hour and clock hour accredited institutions receive different awards for the same program and student effort, is an inequity to students that should be avoided.

Clear directives will continue to be provided by the accrediting commissions so that they can closely review any request to convert from clock hour to credit hours. The existing community standards should be relied upon, and schools should be required to submit copies of their curriculum to the accrediting commissions so that the appropriate segments which are lecture versus those which are lab or shop can be distinguished.

APPENDIX

- * "Definitions of Student Personnel Terms in Higher Education," prepared by the National Center for Educational Statistics in cooperation with the American Association of Collegiate Registrars and Admissions Officers, 1968
- * The National Guide to Credit Recommendations for Noncollegiate Courses, 1978
- * The International Encyclopedia of Higher Education, 1977
- * Letter from Jerry W. Miller, Director, Office of Educational Credit, American Council on Education, November 11, 1974
- * "Progress or Abuse -- A Choice," House Committee Print No. 170, November 1978
- * Definitions of Student Personnel Terms in Higher Education, 1968
- * Postsecondary School Terminology: A Handbook of Terms and Definitions for Describing Students in Postsecondary Education, 1975

Senator STAFFORD. Thank you very much, Ms. Cann.

Now, the committee would be happy to hear from Dr. DiBiaggio. I might say, Doctor, that at one time I was a student at the University of Michigan's law school and had the misfortune to see Michigan lose a football game for the first time to Michigan State, 28 to 0. That was in 1935. [Laughter.]

Dr. DiBiaggio. Well, you are about to see that again, sir. [Laughter.]

Thank you, Mr. Senator. I do appreciate this invitation to testify before this committee as an individual. I have testified many times before as chairman of committees for our various associations. I am particularly pleased this time to be invited by you to do so in order that I might join Father Monan in expressing my heartfelt gratitude for the leadership that you have provided in the Senate on education issues in general, and particularly those relating to higher education.

Senator STAFFORD. Thank you.

Dr. DiBiaggio. As a former president of the University of Connecticut and a long-term resident of New England, I do appreciate what you and your colleagues in that region did for all of us, and I think it is appropriate that we extend our appreciation once again.

Sir, as you begin this very careful and deliberate process of reauthorizing the Higher Education Act, I know I do not need to point out to you that 90 percent of that funding in that act goes to student aid under title IV. I think that is proper and, as you have stated earlier, sir, it should continue.

The Federal role in student aid is absolutely correct and proper and has had enormous results. At my own institution, which claims over 40,000 students, more than 20,000 depend upon Federal student aid.

As in the private sector, we have been compelled to raise tuition in order to meet our costs, and in doing so have denied potential access to students who would have attended our institution in the past. Because of Federal student aid, we have been able to enroll those students and they have been able to successfully remain in our institution.

Now, there are some specific revisions or enhancements that may be needed in that title, particularly in the guaranteed student loan program. But I do not believe, sir, that there are any major rewrite provisions required, and I would simply urge you to continue your support of title IV.

During reauthorization, I know that you, sir, and your colleagues will recognize the complexity of the entire act and watch out for those who would recommend very simplistic solutions to what are very difficult problems.

I would ask respectfully that you maintain the great responsiveness that you have always exhibited to higher education at all levels, and that means the 2-year institutions, the 4-year institutions, public and private.

We have had a tradition of pluralism in this country which I think has created an educational environment which is the envy of the entire world, and I would hope that we could continue that pluralism, allowing students a choice of those institutions that they might wish to attend.

That may sound strange coming from a president of a public institution, but I happen to be very proud of the educational system which has provided so many of us opportunity in this great country.

I think that you should appreciate that we are, as a community, trying very, very hard to work together, and I hope that you will reject, therefore, sectoral splits that occur. I think we should concentrate our efforts on the major issues, and the major issue in student aid, of course, is to provide aid to the very neediest students.

I do not think you or your colleagues should be diverted by a wide array of claims on Federal funds, and I know that you will not do that.

In looking at reauthorization as well, I hope you do not lose track of some of the smaller dollar programs that do so many vital things in higher education as well. I know that the tendency is to concentrate on title IV because it is so very large. We have other concerns, of course.

Support for our graduate students is becoming a more critical issue. That falls not only in part under title IV, but under title IX as well. Costs for our graduate students are rising and their debts are increasing because they are depending so much more on loans and getting so much less in grants.

That issue is a critical one because we may, in effect, be destroying our seed corn, and the problems that may generate for us in the future you are, I know, all too well aware of.

We are concerned as well about the state of our facilities. Our academic buildings are getting in bad disrepair. We are falling desperately behind in instrumentation. At my own institution of Michigan State, we have \$35 million now in high-priority renovation projects in research and graduate education alone, plus 74 mil-

lion in other deferred maintenance projects which we must address.

It is reducing our capacity to teach adequately and do the research that is so critical for our Nation's future. We are equally concerned about title VI, of course, international programs, which have never been adequately funded, because they are the key to our foreign policy, our foreign trade, and I think ultimately to our economy and our security.

I would ask you also to pay further attention to title II, research libraries, because they are, after all, the basis of graduate study and research. They also need reliable and continuous support.

Last week, Senator, the American Council on Education sent to all members of this subcommittee an extensive set of recommendations for reauthorization of the Higher Education Act. Those recommendations reflect considerable consensus generated over two years of discussions among representatives of higher education associations and campus officials.

I urge you to give those recommendations careful attention because I do think that they reflect the views of the majority of us in the higher education community.

Thank you, sir.

[The prepared statement of Dr. DiBiaggio follows:]

TESTIMONY OF
DR. JOHN A. DiBIAGGIO
PRESIDENT
MICHIGAN STATE UNIVERSITY

BEFORE SENATE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
OF THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES,
SEPTEMBER 10, 1985.

Testimony before Senate Subcommittee on Education, Arts and Humanities of the Senate Committee on Labor and Human Resources, September 10, 1985, delivered by Dr. John A. DiBiaggio, President, Michigan State University.

I appreciate this opportunity to testify before your subcommittee. The last time I appeared before this subcommittee I was president of the University of Connecticut, and I cited some general observations on higher education and some observations that were unique to the University of Connecticut and to New England. At the time, I expressed serious concern about the proposed student financial aid reductions that, if enacted, would have had a damaging rippling effect throughout our nation. It was clear to me that the administration's proposals not only would have closed the doors of opportunity to many deserving students, but would have locked those doors. The national interest--from national defense to the economy--would not have been served, and I am grateful that the drastic cuts recommended did not come about--at least not this year. To be sure, however, we have not heard the last of proposals that threaten opportunities for deserving students by cutting, and, indeed, by eliminating programs that guarantee access.

I now appear before you as president of Michigan State University, a university known as the "pioneering land-grant university," as the prototype of the land-grant university, a type of institution truly unique in the world. From my new vantage point, I have the obligation--and to be honest with you the strong inclination--to speak out even more forcefully on issues related to the reauthorization of the Higher Education Act. When you live in the middle of a campus whose creation revolutionized public higher education, you are imbued with an enhanced appreciation for the potential of such a university.

Before citing some specific recommendations, I would like to tell you about a fear I have. It might sound like a play on words, since Michigan State in another era was labeled a "cow college," but I am afraid of homogenization. I am afraid that the diversity, the mosaic texture, the variety, the coming together of various groups and ideas is being challenged by those who would lock those doors I mentioned. At Michigan State, for example, diversity has enriched us. There is probably no institution that has been as "democratic" in the best sense of that word. Michigan State has had five Rhodes Scholars in the past four years. On the other hand, Michigan State has provided opportunities--and I am happy to say college degrees because of a stepped-up retention program--to students who might have been categorized at one time as "average." The Rhodes Scholar enriches the student whose academic background might not have been as intense. The hard-working "average" student enriches the Rhodes Scholar by his or her unique abilities, experiences, cultural background, zest for living, drive to succeed. The loss of the so-called "average" student would be felt just as strongly as the loss of a Rhodes Scholar. At Michigan State, we cherish access to each other, as well as access to the educational experience. As Michigan's land-grant university, we serve the citizens of our state, but we also have more overseas programs than any other university. We enroll students from every county in Michigan, from every state, and from over 100 foreign nations--and our students thrive on this type of diversity. The economic development efforts from state and nation benefit from this thriving, I assure you. It is not an overstatement to say that without a significant and equitable commitment of federal financial aid to our students, we will ensure

Dr. John A. DiBiaggio

the homogenization of universities like MSU. We will send out the message that limited opportunity for higher education is not only a threat--it is now a matter of public policy. We will send out the message that Michigan State and other such universities are no longer the "people's " universities. Once it is decided that American tradition is wrong and that opportunity and access are now expendable, it would not be too difficult to decide that commitments must end in other areas as well. In teaching. In research. In curricula. In ideas. In quality.

I read earlier this week that proposals relating to the Higher Education Act submitted by 75 higher education advocacy groups have been compiled into single copies weighing 17 pounds apiece. The commitment by members of this subcommittee and others to seek the widest--and apparently the heaviest--possible input from American higher education is commendable. I have actively participated in the formulation of proposals that are included in that 1,042-page document. In my brief time here, I would like to point out some ideas that are central to refining existing financial aid programs but do not sacrifice access to those in financial need.

- 1) We must create incentives for institutions of higher learning to administer programs more effectively. Incentives can range from fewer audits, fewer regulatory requirements, and increased administrative allowances to those institutions administering programs effectively.
- 2) We must provide incentives to parents and to the private sector to encourage wider participation in financing.
- 3) The same needs analysis should be applied to all federal student aid programs. A methodology that is federally approved but administered by private processors should be used. The Pell processor should be eliminated, with private processors assuming that role.
- 4) A simplified, consistent, and predictable delivery timetable should be developed. Free application processing should be provided to those meeting certain high need criteria.
- 5) All students, other than orphans and wards of the court, who are under the age of 23 should be required to submit parental income information. That information should be used to determine eligibility for financial aid, but we should make it more reasonable for the student to secure a higher cost loan to replace an expected parental contribution not forthcoming.
- 6) In the Guaranteed Student Loan program, we should reduce the financial burden on students by eliminating the 5 percent origination fee, but recoup the lost revenue by reducing the special allowance to lenders by 1/2 percent. The amount of interest students must pay after graduation should be increased to 12 percent. All of these loans should be awarded on the basis of need. Monetary incentives should be provided to lenders to improve collection efforts, and all loan checks should be co-payable to the student and the institution. There should be provision for consolidation, making it more feasible for students to manage repayment responsibilities.

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I would like to recommend, too, that in the reauthorization of the Higher Education act there should be an increase in the ceiling on the Title VI Program. It is clearer everyday that our role in the global village demands that we mount a stepped-up effort to provide expertise in foreign trade, resource management, education, economics, and other areas central to our national interest. At Michigan State we have formal centers in African Studies, Advanced Study of International Development, and Canadian Studies. The development of expertise in these and parallel areas is a natural federal responsibility if public policy is to be relevant to foreign policy and trade needs, needs not recognized yet as relevant to individual state governments. It is so very obvious that our nation must bring together all the expertise and information it can in the languages and culture of Japan, China, Latin America, the Middle East, the Soviet Union, and Africa.

The current Title VI ceiling of approximately \$30 million is not adequate. Five years ago, the President's Commission on Foreign Language and International Studies suggested an absolute minimum need for the Title VI Programs of \$75 million. Of course, the requirements today are even greater, and the ceiling must be appropriate if we as a nation are to make the contributions that surely are in our best national interest, and in the interest of humankind throughout the world.

Two years ago, we were branded a "Nation at Risk". We increase that risk if we fail to send the signal that traditional commitments to access, opportunity, quality, and accountability will be honored. The reauthorization of the Higher Education Act will be looked to as such a signal. Thank you for the opportunity to speak here today.

Senator STAFFORD. Thank you very much, Doctor. Let me compliment you on your understanding of the problems and support for both the public and the private institutions of higher learning in this country.

Dr. Monan, let me ask you a question, and this is it: In your testimony you stated that the annual tuition at Boston College has tripled from 1972 to 1985. That is probably true in a good many institutions in this country.

We are concerned about the rising costs of education and what this will mean to the future of our private colleges, so I guess I am asking what responsibility do you believe colleges have in containing reasonable cost increases in the years ahead.

Father MONAN. I think it is one of our principal responsibilities, especially in the private sector where so much of the cost of education is borne by the individual student and the parent.

In all of our long-range plans, we have addressed that type of cost containment. Each time our tuition rises, actually, we have plotted it over years past and in terms of real dollars we have risen practically not more than 5 or 10 percent in terms of real dollars from 1968 dollars.

Perhaps one of our biggest costs, as I indicated in my remarks, was the fact that as Federal aid has declined, we have moved in the past 5 years to put from \$6 million into institutional student aid in 1980 to \$16 million in this current year, so that much of our cost containment problem is really against the problem of assisting our students to continue to come. That is, however, one of our principal thrusts in all of our planning that we do.

Senator STAFFORD. Thank you very much.

Let me direct a second question to each of you for a brief response, but before I do that, may I say that since some members of this committee cannot be here this afternoon due to the usual fact that several committees and the Senate are all operating, I expect there will be members who will wish to submit some questions in writing.

Would that be agreeable, lady and gentlemen, if we do it that way with some of them? At your convenience, you can reply to us.

Let me ask you this question jointly: Did the publicity associated with the administration's proposed budget cuts in January and some of the somewhat intemperate remarks that followed from the new Secretary of Education cause any reduction in applicants or enrollees at your several institutions?

Father Monan, we will start with you and go across.

Father MONAN. It did not this year. However, in 1980 when the first major reductions were announced, there was a very tangible shift in the proportion of students who accepted invitations to Boston College. It was remarkable in the statistical patterns that developed, yes.

Senator STAFFORD. Dr. Liston.

Dr. LISTON. Mr. Chairman, I suppose these rumblings affect different institutions in different ways.

Senator STAFFORD. Sure.

Dr. LISTON. We have no way of knowing what has happened, but in Rhode Island where the demography is rather negative in terms

of the number of high school graduates, the public institutions this year seem to have come in very strong with their enrollment.

I do not think it is a direct reflection of the student financial aid uncertainties because people have been hearing that for the last 2 or 3 years and nothing significant has happened to change the picture. So I would guess that there has not been a major impact as far as I can see.

Senator STAFFORD. Thank you.

Ms. Cann.

Ms. CANN. I would have to agree with Dr. Liston. We have experienced in the last 6 months a decrease in enrollment, but I cannot say that we can attribute it directly to that.

Senator STAFFORD. All right. Dr. DiBiaggio.

Dr. DiBiaggio. Senator, our enrollment is somewhat up, but as Father Monan stated, it was a greater concern back in 1980 when we saw a definite blip upwards, and that concerned me at the time and I testified regarding that because I was concerned that students would be moving from the private to the public sector, which would, in essence, push students out at the periphery from the public sector—students who were at the margin—as well as hurting the private sector.

So it is a dangerous game we play. Our enrollment is up. Now, the other thing we do not know, Senator, and we never can seem to measure is students who do not apply at all to any institution because of a concern of a lack of financial aid.

There may be students who consider it inappropriate to borrow too much money. I grew up in one of those families that found borrowing abhorrent. I still think there are families like that who, feeling that they must depend too heavily on loans, decide not to have their children attend college at all.

Senator STAFFORD. Thank you all very much.

Senator Simon.

Senator SIMON. Thank you, Mr. Chairman.

Father Monan, in your testimony you note that freshman applications rose from 6,000 in 1972 to 16,000 in the spring of 1985. Are you noticing a difference in family income levels? In other words, are we, in fact, as some have suggested, segregating American higher education on the basis of economics?

Father MONAN. We notice it very clearly, Senator. Boston College was originally founded in 1863 to educate the children of immigrants, almost all of whom were poor. Over the past 10 years, we have followed very carefully the self-reported income of parents on the part of our students and we do find that as costs have risen dramatically, the income bracket of larger and larger proportions of our students are climbing.

Senator SIMON. I notice in your appendix you say "we recommend." Is this—

Father MONAN. Boston College.

Senator SIMON. Boston College?

Father MONAN. Right.

Senator SIMON. All right. On the Pell grants, obviously one of the key things is that percentage figure. As we go forward, if I may use the four of you as illustrative of where we are, representing

public, private and proprietary—we simply have to have an agreement.

I am not here advocating any certain figure other than I strongly advocate that we can find agreement.

Father MONAN. I believe I saw some of the association members enter behind us, and I am sure that they will take that very much to heart as they work together.

Senator SIMON. I hope so; I hope the message gets out.

Your master calendar idea, I agree with completely.

Dr. Liston. I have made no notes; I need not ask questions on your testimony.

I would only say to Ms. Cann that I think your institutions—I am not just talking about Apex—and your cooking schools—that is the wrong word; I am sorry.

Ms. CANN. That is fine; that is what we do.

Senator SIMON. All right. But the proprietary schools, the schools that are teaching trades very directly, putting people in the marketplace very directly, I think make a tremendous contribution, and I hope we can adequately protect those interests.

Dr. DiBiaggio. two questions; two things you touch on, I think are really important. One is the encouragement in graduate school. Do you have any specifics as to what we can do?

I think you were talking about graduate school when you said we are consuming our seed corn, and I think that is correct. I am concerned both qualitatively and quantitatively of what is happening to American higher education in graduate school.

Dr. DiBiaggio. Well, as I said, Senator, and I know how well aware you are of this entire problem, the fact is that the heavy, heavy reliance now on loans and the reduction, if you will, in real dollars on the grant side and the inability of institutions to provide, therefore, adequate stipends for support discourages students from attending graduate school, particularly in a competitive marketplace, when in the technical disciplines, for instance, they are so employable after receiving a bachelor's degree.

Therefore, it is difficult to convince a well-qualified student graduate that they should enter graduate study, receive a modest stipend for 3 or 4 years, with the outcome being a salary which is less than that being offered to them by industry with a bachelor's degree.

The way we can circumvent that for the student who has the intellectual capability and the stimulus to be engaged in teaching and research is to provide an environment that is reasonably comfortable during their graduate years, and that means adequate support not in terms of loans, but in terms of grants or loans which are more reasonable in terms of payment and do not require payments during the time that they are enrolled in graduate study.

Senator SIMON. I just simply want to concur in your comments on title VI, international education, where clearly \$30 million in a \$900-plus-billion budget is just woefully inadequate.

What is happening in our schools is a decreasing percentage of faculty members teaching and studying abroad. That simply cannot be good. We are becoming a more and more insular society when the demands really are in the opposite direction.

Dr. DiBIAGGIO. Well, I am proud to represent an institution that has one of the largest international programs in the entire Nation, and I think that is important. I think all of our institutions must be engaged in international education because we are not only a global society, but a global economy, as you are well aware.

I would be remiss, Senator, if I did not express my gratitude for the outstanding effort you made trying to deal with reauthorization during your tenure in the House in the last term.

I am sorry that we were not able to be more helpful. I trust that this time, in response to your earlier comment, we will come to you in a unified fashion and present some recommendations that you as a Senator can support, as well as your colleagues.

Senator SIMON. Great. We thank all of you very, very much.

Before the next panel comes up, Mr. Chairman, I am going to unfortunately have to leave and I would like to hear all of the witnesses, but particularly Steve Horn and Bill Danforth. I regret I am probably not going to be able to stay for all their testimony.

Senator STAFFORD. Let me thank the panel very much on behalf of myself personally and all of the members of the committee who came by and those who were unable to do so. We will seriously consider what you have told us when we get around to our deliberations on extending the Higher Education Act.

I can say we are going to extend it for sure and we are not going to allow it to be diminished for sure, but how much further we can go—we will have to see what the climate looks like.

Thank you very much indeed. [Pause.]

If the committee could now come to order, we have allowed a little extra latitude in the way of time in view of the collegial atmosphere that seemed to be prevalent here, which we hope will continue through our development of the Higher Education Act.

The second panel consists of Dr. Stephen Horn, who is president of the State University at Long Beach in California; Mr. Michael E. Crawford, chancellor, Eastern Iowa Community College in Davenport, IA; Dr. Mary Linda Merriam, president of Wilson College in Chambersburg, PA; Dr. Richard F. Rosser, president of DePauw University in Greencastle, IN; and Dr. William H. Danforth, chancellor of Washington University, St. Louis, MO.

Before we start, I should say that having met Dr. Danforth at a dinner earlier this year, I reported to his brother the next day, John, who is a member of the Senate, that his brother was not only taller, but better looking than he was. [Laughter.]

Now, whether that was a compliment or not, you will have to decide.

Let us go in the order in which we called your names, and may I remind you that much as I hate to do so, we will have to impose the 5-minute limitation. You have the lights here; 4 minutes on the green, 1 on the yellow, and then red.

Your statements in full, if you have presented them, will be in the record as if read, so that members of the committee who are not here will have a chance to study them in detail, or will their staff.

With that single request which I always feel embarrassed to make, that you do limit to 5 minutes, Dr. Horn, we will hear from you.

STATEMENT OF STEPHEN HORN, PRESIDENT, CALIFORNIA STATE UNIVERSITY AT LONG BEACH, LONG BEACH, CA; MICHAEL E. CRAWFORD, CHANCELLOR, EASTERN IOWA COMMUNITY COLLEGE DISTRICT, DAVENPORT, IA; MARY-LINDA MERRIAM, PRESIDENT, WILSON COLLEGE, CHAMBERSBURG, PA; RICHARD F. ROSSER, PRESIDENT, DEPAUW UNIVERSITY, GREENCASTLE, IN; AND WILLIAM H. DANFORTH, CHANCELLOR, WASHINGTON UNIVERSITY, ST. LOUIS, MO

Dr. HORN. Thank you very much, Mr. Chairman. I am Stephen Horn, president of California State University-Long Beach. Let me add the thanks of the many students, parents, presidents and administrators who have preceded me to your leadership, Mr. Chairman, and to Senator Simon's leadership, in particular, on the House side, and your colleagues for what you have done to assure access to a quality education for millions of Americans.

Basically, both I as a president individually and the American Association of State Colleges and Universities that endorses my submitted testimony agree completely with the 1980 amendments. They made sense; we ought to stick with them, refine them, add to them where we can, given the budget situation, and try to provide greater opportunities for students to attend both undergraduate and graduate education in our country.

I think we still have a tragic denial of access for many in the United States. Despite all the hard work that has been done, starting with the National Youth Administration in the 1930's that helped college students, the GI bill, the NDEA, the Pell grants, and so on, the fact is we still have a failure to gain college access for American Indian, black and Hispanic students, primarily, and we need to see if we can direct special programs to meeting their needs.

I think it is also very important to try and overcome some of the obstacles that face the working family who can only go to school part time as they juggle family, school and job and try to secure a college education. I would hope the committee could address that this coming year.

But the key is the Pell grant under the 1980 amendments. The maximum this year should have been \$2,600 a year, with a percentage of educational costs at 70 percent. It is not. Instead, we are at \$2,100, 60 percent, and I do not think there is any question that the Pell grant has lost at least 20 percent in purchasing power based not only on inflation, but on rising college costs in both private and public institutions. That is a serious erosion for America's basic access program.

In addition, the budgets for students living at home, living off campus, living on campus, really do not reflect reality; they are understated. Let me give you an example from my own university.

At \$2,600 and 70 percent, which is where we are supposed to have been but are not, a CSULB student's cost if he or she lived at home would be \$3,200, not the \$2,450 that we note in our budgets. The off-campus student cost would really be \$5,000, not the \$3,250 that we note in our budgets; the on-campus student who lives in the campus residence hall would really be \$3,700, not the \$3,250 we note in our budget.

It is clear that under both law and regulation written under the law, the off campus, not living at home student is the one who is the most discriminated against. Given the present budget reality, I do not believe it is unreasonable to try to increase the Pell grant to the \$2,600 a year that we thought in 1980 we would now be in, so that we have \$2,600 a year, a 70-percent limitation, in 1986-87, and aim for \$200 a year to get us up to \$3,400 and 70 percent in 1990-91.

I hope the subcommittee will also mandate a single-needs analysis. There is too much confusion as to how we treat assets and income depending upon the particular financial aid program.

I think, as I suggested earlier, the campus financial aid office ought to have jurisdiction to decide how much of the need of a part-time student, particularly returning women, can be met.

Work-study has proved to be invaluable as a component of Federal financial aid, but I suggest, Mr. Chairman, that it ought to be broadened so we can better utilize opportunities available in the private sector.

Now, as you know, nonprofits match at 20 percent. We ought to permit the private sector to match at 50 percent. I think that is essential for students who wish to relate theory and practice by working with successful professionals in their chosen field.

With all the problems of access that confront Americans, the fact is we need more minority faculty in American colleges and universities, and I suggest that the only way that is going to happen is if we have a national loan forgiveness program while they secure doctorates so they can serve as role models for the next generation that right now is not having the access it should.

Lastly, Mr. Chairman, I believe that America has an important role to play in the world to educate students from abroad of rising economic classes, not the rich, not the middle class from abroad. We are missing out on bringing potential foreign leaders here during their undergraduate years.

The Senate recognized some of this in the Caribbean initiative; the House has done the same in the foreign aid bill. But I would suggest that there ought to be a merit scholarship proposal run by USIA to assure English language competency, and you ought to permit the colleges and universities of America to waive funds for at least one foreign student out of their campus-based programs, and perhaps Pell, to bring them here; each campus should be able to bring in a total of four foreign students at the end of the fourth year.

If there is so much political pressure that the American colleges and universities, or a single one, feel they cannot do that because we are denying aid to an American, fine; let those that feel that political pressure not do it. But leave it discretionary for the rest of us who think it is an American need to bring potential foreign leaders here during their undergraduate years if we are going to have the friends we need to help us in the years ahead.

Thank you very much.

[The prepared statement of Dr. Horn and responses to questions submitted by Senator Hatch follow:]

STATEMENT BY

DR. STEPHEN HORN
PRESIDENT OF CALIFORNIA STATE UNIVERSITY, LONG BEACH

LONG BEACH, CALIFORNIA

ON

THE REAUTHORIZATION OF TITLE IV OF THE HIGHER EDUCATION ACT OF 1965

ON BEHALF OF THE

AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

BEFORE THE

SUBCOMMITTEE ON EDUCATION, ARTS & THE HUMANITIES
COMMITTEE ON LABOR & HUMAN RESOURCES
UNITED STATES SENATE

SEPTEMBER 10, 1985

Mr. Chairman and Members of the Subcommittee:

My name is Stephen Horn. I am President of California State University, Long Beach. I am here today representing the American Association of State Colleges and Universities (AASCU). AASCU is pleased to testify today on a number of issues affecting student financial aid.

These recommendations build on the advancement this Subcommittee made with the 1980 Education Amendments. We supported those amendments in 1980, and we continue to support them. If those amendments had been funded, some of the problems facing our financial aid programs would not exist. We think the underlying wisdom of the 1980 Amendments continues to make sense, and the recommendations that we make at this hearing really represent a refinement of the sound foundation established by the 1980 Act. The AASCU recommendations I will be discussing can be summarized as follows:

1. Provide annual increases in the maximum Pell Grant of \$200 each academic year, beginning from the point where the 1980 Amendments left off.
2. Provide realistic expense budgets.
3. Place a statutory limit of 70 percent on the amount of college costs that can be covered by a Pell Grant.
4. Allow graduate students to participate in the Pell Grant program.
5. Provide a single needs analysis system for federal student aid dollars.
6. Provide ways to improve the federal student aid delivery system.
7. Make part-time students eligible for federal student aid programs.

8. Allow a percentage of College Work-Study funds to be used in the private sector.
9. Authorize the forgiveness of debts, on a year-for-year basis, of student financial aid granted at the graduate level for those American Indian, Black, Hispanic, and female students who have completed their terminal professional degree and serve on the faculty of an accredited American university.

At this time I would like to go into these proposals in a little more detail.

Pell Grants

Mr. Chairman, it is important to maintain the entitlement and portability concepts in the Pell Grant program. Providing all eligible students a floor of grant aid, irrespective of the institution they choose to attend, is crucial. Otherwise, shortages of student assistance funds at individual institutions could make postsecondary education a financial impossibility for some students. Our recommendation for Pell Grants would begin where the 1980 Amendments left off by increasing the maximum grant, increasing the percentage of the cost of attendance that may be covered, and allowing for realistic expense budgets.

Under the 1980 Amendments the maximum Pell Grant for academic year 1985-86 should have been \$2,600. At that level the percentage of cost limitation for the Pell Grant program would be 70 percent. Our recommendation would provide a \$2,600 Pell Grant, not to exceed 70 percent of cost, for the academic year 1986-87. For each successive academic year the maximum Pell Grant would increase by \$200, so that by academic year 1990-91 the maximum

would be \$3,400. With the cost of college at the levels they are these days, Mr. Chairman, a \$3,400 Pell Grant for academic year 1990-91 does not seem unreasonable.

This year Congress has already approved a Pell Grant of \$2,100 with a 60 percent cost-of-attendance limitation. And Congress has not yet determined its appropriations for fiscal year 1986. We do not think it is unreasonable to begin with the first year of reauthorization with a maximum grant of \$2,600. We think that it is budget sensitive and that it reflects a recognition of the needs of low-income students throughout this nation. The value of the Pell Grant has been seriously eroded in recent years. Inflation and the fact that increases in the maximum grant have not followed the 1980 timetable have caused the Pell award to be worth less today than it was several years ago. Providing Pell with the modest increases AASCU recommends will restore much of the purchasing power that Pell once had. We think that is an important action for Congress to take.

We would also cap the cost-of-attendance limitation at 70 percent. We are sensitive to the argument that no student should be able to have 100 percent of cost covered by the Pell Grant program. The twin limitations of the cost-of-attendance cap and a maximum grant ceiling will insure that no student can get 100 percent of cost covered by Pell. Nevertheless, we believe this recommendation will be a giant step toward providing the foundation of access to higher education which was the original Pell Grant intention.

There is one other aspect of our Pell Grant proposal that should be emphasized. The 1980 Amendments allowed institutions to have a great deal of flexibility in determining cost of attendance allowances. Unfortunately, this provision of the amendments has been limited by subsequent congressional

actions and by administrative regulations. Because of this, living allowances for students who reside at home with their parents and for all other students have been kept unrealistically low. Student budgets should provide a realistic estimate of educational costs and not be set artificially low as a means of rationing funds. Use of institutionally developed budgets reflecting reasonable variations in local cost of living would assist in reducing student confusion over different figures for Pell Grant and the campus-based programs cost of attendance.

Grant assistance is greatly needed to relieve graduate students of ever-increasing loan debts that can serve both as a barrier to graduate education and as an incentive for basing career choice only on the potential for high earnings. Therefore, we support the extension of Pell Grant eligibility to the first two years of graduate or professional study.

Mr. Chairman, the changes that we propose in the Pell Grant program build upon the historical commitment made in the 1980 Education Amendments and would provide significant and much needed increases in the Pell program to enable it to insure more effectively that low-income individuals will have access to postsecondary education. These recommended changes deviate very little from existing law. In fact, if the Pell Grant had been funded according to the 1980 Education Amendments, reauthorization would begin exactly where these proposed recommendations begin. I recognize that other sectors of the higher education community have made proposals concerning the Pell Grant program. For your information, I have attached to this testimony a chart comparing the impact of these various proposals on families at different income levels attending different kinds of educational institutions nationally and different kinds of institutions in my home state of California.

In developing our recommended proposals, AASCU looked at a number of alternatives to the existing Pell Grant program and examined their impacts. We believe that our proposal is the best of all these alternatives. It does not eliminate a significant number of middle-income students from the program, and it retains the essential structure of the Pell Grant program that has existed since its inception in 1972. I think it is appropriate to point out at this time, Mr. Chairman, that although this program was greeted with some skepticism during its creation in 1972, it now has been accepted universally as a program that is the true foundation of our federal commitment to student assistance. And it is a program that is working well and that, but for a little additional funding, could work even better. As the old maxim goes, Mr. Chairman, "If it isn't broken, don't fix it." We do not think that the current Pell Grant program is broken. Our proposals will simply make it work a little more effectively.

Single Needs Analysis

AASCU also believes that a single needs analysis system for federal student aid programs should be incorporated into the Higher Education Act. Such a system was envisioned in the 1980 Amendments but it was not implemented. Using a single need analysis system would contribute toward reducing student confusion over the different need figures produced by the two systems. We applaud the proposal by the National Student Aid Coalition to create such a single needs system. We believe that the decision as to how taxpayers' dollars will be distributed should be made by representatives elected by taxpayers. Too often the current decision-making system is bureaucratic and has not served the needs of truly needy students. Congress

should be making decisions on needs analysis. AASCU urges this Subcommittee to include a single system of determining need for federal student aid in the Higher Education Act.

In developing such a single needs analysis system, several factors ought to be included.

First, independent students with dependents should have their income treated in the same way as students from dependent families. AASCU recognizes that this committee included this provision in the 1980 Amendments. Unfortunately, it has never been implemented. We hope that its inclusion will be contained in this reauthorization bill and that it finally will be implemented. There is no sound reason for treating independent students with dependents differently than students from dependent families. Their incomes and assets should be assessed in exactly the same manner.

Second, in the area of independent students, we think a new definition for financial independency has to be included in this reauthorization bill. We applaud the efforts of the National Association of Student Financial Aid Administrators (NASFAA) in trying to develop a new definition. And, in principle, we support the definition that has been submitted to you by the American Council on Education and others. We have one major difference, however, and that is that we believe that financial information should not be required of students who are twenty-two years of age or older by January 1st of the award year and can document self support based on their own financial circumstances. For too long we have been constructing student aid policy on the concept that students are eighteen to twenty-one years of age. As previous witnesses have testified, a whole new generation of students is attending college these days, and the old assumptions are denying them assistance. Policies based on a misconception have to be corrected. By

declaring students to be independent when they reach twenty-two, we will be taking a giant step in recognition of this new generation of college students. We also agree that graduate students and professional students should be declared independent immediately upon admission to those schools. Otherwise, we support the remaining proposed definition which would, in effect, declare independent anyone who is a ward of the Court or an orphan, married, has dependents, or is a veteran of the Armed Services.

Third, returning to needs analysis, Mr. Chairman, there are several specific recommendations that we would like to suggest. On the whole, AASCU supports the recommendations in this area which have been made by the American Council on Education and the National Student Aid Coalition. However, we do differ on several points. With specific reference to Section 482 of the Higher Education Act, we believe that in defining effective family income, public assistance payments and child support payments should be excluded in determining a family's ability to pay for a college education. In that same section, in determining the amount of assets that are counted in arriving at a family's ability to pay, we would exclude equity in a family's primary home from the computation of assets. And in recognition of the fact that many students and their families might not own a home, we would deduct an asset reserve of \$25,000 for such students.

Again in Section 482, AASCU would also add several new allowances to be used in determining the cost of attendance. First, AASCU would provide an allowance for dependent care expenses, recognizing that such expenses are important to a student who might not otherwise be able to pursue an education because of the responsibilities for dependents. Second, we would provide a transportation allowance for commuting students, recognizing that oftentimes

the cost of commuting to and from classes can be a deterrent to a student's desire to pursue a college education. We know that these recommendations have been supported by the Coalition of Aid to Part-Time Students. And AASCU is pleased to be part of that Coalition. And third, in recognition that there are often contradictions between student aid eligibility policies and the eligibility policies for other domestic assistance programs, AASCU would urge you to try to find a way to prohibit the counting of federal student aid as income or as a resource for eligibility purposes for other federal programs. The Subcommittee has been provided with some language which, if adopted, will carry out this goal.

Student Aid Delivery

AASCU also has made several recommendations in the area of student financial aid delivery:

- o We endorse the master calendar proposal advanced by the National Student Aid Coalition and the National Commission on Student Financial Assistance. Such a statutory timetable is necessary for the orderly delivery of student aid funds.
- o We also endorse the National Student Aid Coalition's proposal for student aid information and counseling. Such a proposal is greatly needed, since lack of information about student aid programs is often the major deterrent in the decision to attend college made by an individual from a low-income family.
- o We also believe that Section 483 of the Higher Education Act should be rewritten so that it is absolutely clear that students and parents are not to be charged a fee in applying for federal financial assistance. AASCU thought that this matter was resolved

by the 1980 Amendments. Unfortunately, it appears that this problem has not been resolved, and we urge that it be resolved by this reauthorization legislation.

- o Finally, in the area of delivery, we endorse the proposal to create a National Advisory Committee on Student Financial Assistance. We think such a committee is needed to advise the Congress on various issues concerning the timely delivery of student aid and the impact that student aid policies are having on students. We recognize and applaud the role Congress has played in recent years to make sure that the student financial aid system works as well as it does. Congress has sought to assure that the system works in a timely manner. We hope Congress continues this direction. That is why AASCU endorses the establishment of this advisory committee. Such a committee rightfully belongs as an advisory committee to Congress. Continuing Congressional concern and involvement in the area of student financial aid policy are essential if that policy is going to work.

Part-Time Students

The AASCU recommendations also address another important area and that is aid to part-time students. In order to be eligible for student financial aid, Section 484 of the Higher Education Act requires that a student be carrying at least one-half the normal full-time workload for the course of study the student is pursuing. This requirement should be eliminated, thus making less than half-time students eligible for student aid. We believe that this one step would go a long way towards guaranteeing educational opportunities for growing segments of our nation, and it would open the door to education to

students who still find finances to be a barrier to such an opportunity. By making less than half-time students eligible, we would still require that they go through the same needs analysis as other students, and they would still have to meet the requirements of satisfactory progress that all other students have to meet. All we will be doing is making the benefits of student financial aid available to all students. We do not believe this would be a difficult step to implement, but we do think that such a change could make a major difference in the lives and aspirations of millions of our citizens.

College Work-Study Participation by Private Employers

Students develop self-reliance and discipline as well as work skills by earning at least a portion of their education expenses through the College Work-Study program. In order to place students in the most appropriate job, both non-profit and private employers should be eligible employers. Jobs with private employers could benefit students by allowing them to work in settings closely matched to their educational goals and providing them with marketable skills.

Mr. Chairman, we suggest Congress allow a percentage of College Work-Study funds be used in the private sector with a minimum 50-percent matching from the private employer.

Forgiveable Loan Program to Increase the Number of Minority and Female Faculty

America's colleges and universities still face a major gap in having sufficient numbers of educated minority and female professionals to staff their classrooms and laboratories. Currently, 25 percent of all students in the United States public schools are minorities. In my home state of California, minorities comprise 43 percent of all public school students and

one-half of all students at the elementary level. Yet, in terms of representation in our nation's faculties, the picture is a dismal one.

For Blacks and Hispanics, although high school graduation rates are increasing, college entrance rates are declining. And the minority rate of participation at the college post-graduate level is no different. Doctorates earned by minority students are concentrated in the field of education. In 1981, Blacks received only 4.2 percent of the Ph.D.s awarded. By field, Black students receiving Ph.D.s ranged from less than one percent in physics and earth sciences to 8.8 percent in education. Hispanics received about 1.3 percent of all doctorates during that same period, which according to field of study, ranged from less than one-half of one percent of all degrees in engineering to 1.4 percent of the degrees in the arts and humanities.

The picture for women has improved somewhat in the past few years, but more progress is needed. Women comprised 27 percent of all full-time faculty nationwide in 1981. In that same year, women earned 31.8 percent of doctoral degrees.

Mr. Chairman, we need to attract more of our able minorities and women to college faculty positions than we are doing today. According to the report on graduate education in America submitted by the National Commission on Student Financial Assistance, a major reason for not attracting such students is the cost of graduate education and the growing loan burdens students are accumulating to meet those costs. The program of loan forgiveness AASCU proposes today is a modest step towards addressing a major problem. But it is an important first step and one that will reap tremendous benefits.

These are the highlights of the AASCU proposals. In addition, I have attached to this testimony several studies which our association has completed over the past year which indicate some disturbing trends taking place in this nation. Minority college enrollments are declining, even though the number of minority students graduating from high school has been increasing. Some of the changes which have been recommended in student financial aid policy, particularly the change in the percentage of cost limitation, can help many of these minority students attend college. We have also found that there has been a decrease in low-income and minority students attending public institutions and receiving student aid. That study is attached for your consideration. We hope that this is not an irreversible trend and that this direction can be altered with the proper funding of student aid programs and with some of the changes that we have recommended, particularly the change in Pell percentage of cost and part-time student eligibility. Concerning half-cost, this committee recommended a change in that provision in the 1980 Amendments. For the first time, the FY 1985 Appropriations Act has made the mandated change. We think that such a change is historic and significant and will go a long way toward eliminating the barriers to higher education which have blocked access for so many low-income students.

As always, AASCU stands ready to work with this committee and its staff as it develops proposals in this vital area of our national life. We commend this committee for the leadership it has exerted in the past, and we are confident that it will continue to exert that very positive leadership in the future. Nothing can be more important than providing the legislative framework so that Americans across this land can develop their human potential through access to higher education. Thank you.

COMPARISON OF PELL GRANT REAUTHORIZATION PROPOSALS

6/12/85

AAUW/AAAC: \$2600 minus family contribution, not to exceed 70 percent of costs

IRACU \$2100 minus family contribution, not to exceed 50 percent of tuition, plus \$2100 minus family contribution $\times 4$

ALN \$2000 minus family contribution, or 60 percent of costs, minus family contribution whichever is lower.

Assumption in Comparisons

- Average Costs at
 - community colleges \$4350 total charges, \$551 tuition
 - AAUW institutions \$5112 total charges, \$1112 tuition
 - IRACU institutions \$5542 total charges, \$1272 tuition
 - Independent institutions \$9729 total charges, \$5283 tuition
- Family Contribution Used current Pell Grant family contribution schedule (income minus loans paid minus living costs minus extraordinary expenses) to determine family contribution
- Examples assume commuting students not living with parents

	AAUW/ AAAC	IRACU	ALN	CURRENT LAW (\$2100)
<u>57-205</u> <u>\$0 Family Contribution (\$2000 income)</u>				
A. community colleges	\$2200	\$2375	\$2131	\$1631
B. AAUW institutions	\$3640	\$2836	\$2467	\$1070
C. IRACU institutions	\$3640	\$2786	\$2623	\$2023
D. Independent institutions	\$3640	\$4200	\$3000	\$2100
<u>58-205</u> <u>\$100 Family Contribution (\$19,000 income)</u>				
A. community colleges	\$2100	\$ 275	\$1631	\$1631
B. AAUW institutions	\$2100	\$ 656	\$1967	\$1600
C. IRACU institutions	\$2100	\$ 704	\$2123	\$1600
D. Independent institutions	\$2100	\$1700	\$2500	\$1600
<u>\$1000 Family Contribution (\$20,000 income)</u>				
A. community colleges	\$1600	\$ 275	\$1131	\$1100
B. AAUW institutions	\$1600	\$ 536	\$1467	\$1100
C. IRACU institutions	\$1600	\$ 684	\$1623	\$1100
D. Independent institutions	\$1600	\$1100	\$2000	\$1100
<u>\$1500 Family Contribution (\$24,000 income)</u>				
A. community colleges	\$1100	\$ 275	\$ 631	\$ 600
B. AAUW institutions	\$1100	\$ 536	\$ 967	\$ 600
C. IRACU institutions	\$1100	\$ 680	\$1123	\$ 600
D. Independent institutions	\$1100	\$ 680	\$1300	\$ 600

310

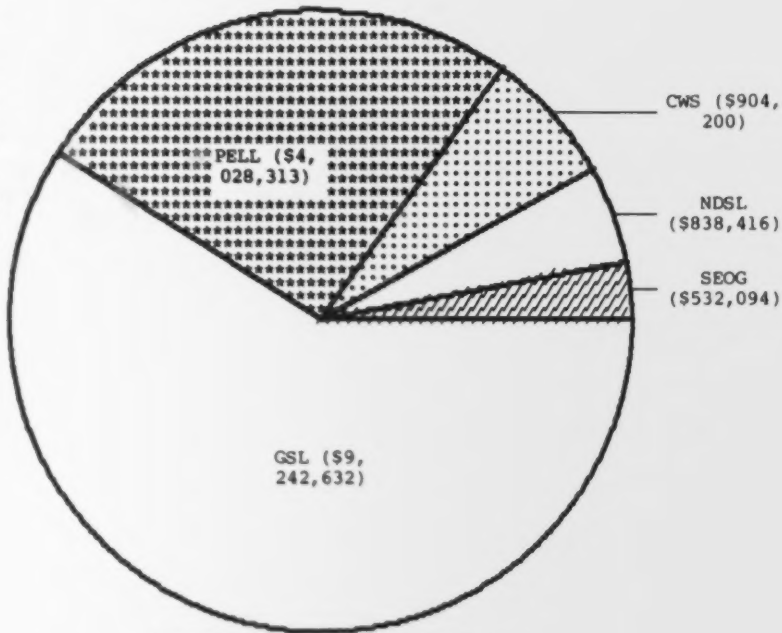
EXAMPLES OF PELL GRANT AWARDS TO FULL-TIME STUDENTS

CSU = California State Unvers
CCC=California Community Collie
ICU=Independent (California) C

Housing Type Institution	Living At Home			Living Off Campus			Living On Campus		
	CSU	CCC	ICU	CSU	CCC	ICU	CSU	CCC	ICU
Pell Cost Allowances									
(\$1900-\$2100 Award Examples)									
Fees	450	100	4000	450	100	4000	450	100	4000
Miscellaneous	450	400	400	450	400	400	450	400	400
Room & Board	1100	1100	1100	1600	1600	1600	2950	2950	2950
Total	2150	1600	7500	2650	2100	8000	4000	3450	9350
(\$2600 Award Examples)									
Fees	450	100	4000	450	100	4000	450	100	4000
Living Allowance	1800	1800	1800	2450	2450	2450	2450	2450	2450
Total	2450	1900	7800	2900	2500	8450	2900	2500	8450
(\$3000 Award Examples)									
Fees	450	100	4000	450	100	4000	450	100	4000
Living Allowance	1700	1700	1700	2450	2450	2450	2450	2450	2450
Total	2150	1800	7700	2900	2500	8450	2900	2500	8450
Student Aid Index = 0									
\$1900 Max. & 50% of Cost	\$1075	\$ 825	\$1900	\$1325	\$1075	\$1900	\$1900	\$1725	\$1900
\$2100 Max. & 50% of Cost	1270	970	2100	1570	1270	2100	2100	2070	2100
\$2600 Max. & 50% of Cost	1710	1450	2600	2170	1870	2600	2600	2520	2600
\$3000 Max. & 50% Less EFC	2150	2150	3000	2625	2150	3000	2625	2150	3000
NAICU Proposal									
Student Aid Index = 500									
\$1900 Max. & 50% of Cost	\$1075	\$ 825	\$1450	\$1325	\$1075	\$1450	\$1450	\$1450	\$1450
\$2100 Max. & 50% of Cost	1270	970	1750	1570	1270	1750	1750	1750	1750
\$2600 Max. & 50% of Cost	1710	1450	2150	2170	1870	2150	2150	2150	2150
\$3000 Max. & 50% Less EFC	2150	2150	2600	2625	2150	2600	2625	2150	2600
NAICU Proposal									
Student Aid Index = 1000									
\$1900 Max. & 50% of Cost	\$ 750	\$ 700	\$ 950	\$ 950	\$ 750	\$ 950	\$ 950	\$ 750	\$ 950
\$2100 Max. & 50% of Cost	1150	1050	1350	1350	1150	1350	1350	1150	1350
\$2600 Max. & 50% of Cost	1750	1650	2050	2050	1750	2050	2050	1750	2050
\$3000 Max. & 50% Less EFC	2150	2150	2600	2625	2150	2600	2625	2150	2600
NAICU Proposal									
Student Aid Index = 1500									
\$1900 Max. & 50% of Cost	\$ 450	\$ 300	\$ 450	\$ 450	\$ 450	\$ 450	\$450	\$450	\$450
\$2100 Max. & 50% of Cost	650	500	650	650	650	650	650	650	650
\$2600 Max. & 50% of Cost	1050	900	1050	1050	1050	1050	1050	1050	1050
\$3000 Max. & 50% Less EFC	1550	1550	1550	1550	1550	1550	1550	1550	1550
NAICU Proposal									

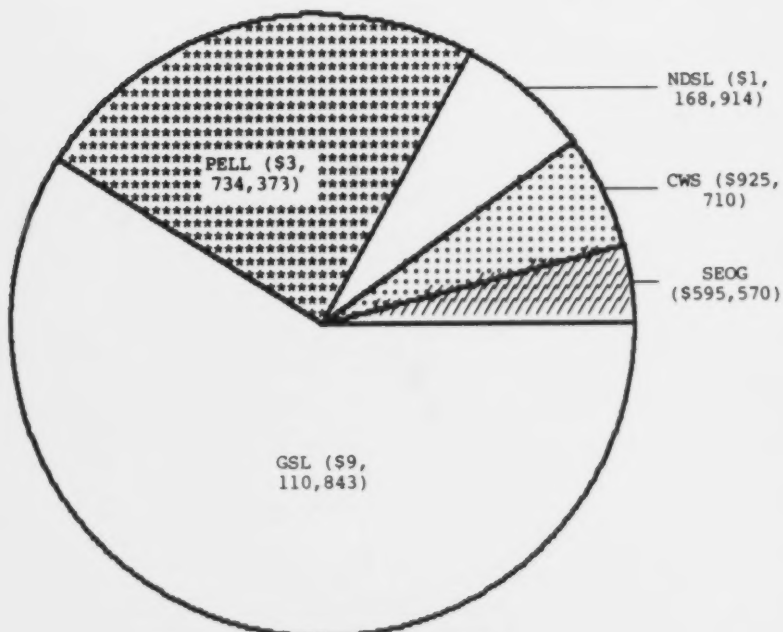
Educational Support Services
Financial Office, CSU
04/20/85

CALIFORNIA STATE UNIVERSITY, LONG BEACH
FEDERAL FINANCIAL AID DOLLARS
1984/85



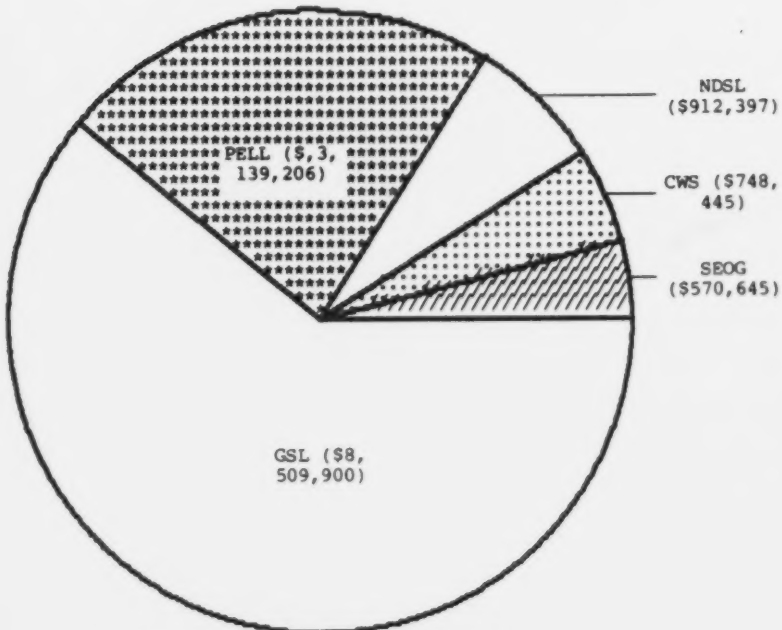
Slice Description		
1: SEOG (\$532,094)	3	
2: NDSL (\$838,416)	5	
3: CWS (\$904,200)	7	
4: PELL (\$4,028,313)	26	
5: GSL (\$9,242,632)	59	

CALIFORNIA STATE UNIVERSITY, LONG BEACH
FEDERAL FINANCIAL AID DOLLARS
1983/84



Slice Description		
1:	SEOG (\$595,570)	4
2:	CWS (\$925,710)	6
3:	NDSL (\$1,168,914)	7
4:	PELL (\$3,734,373)	24
5:	GSL (\$9,110,843)	59

CALIFORNIA STATE UNIVERSITY, LONG BEACH
FEDERAL FINANCIAL AID DOLLARS
1982/83



Slice Description		
1:	SEOG (\$570,645)	4
2:	CWS (\$748,445)	5
3:	NDSL (\$912,397)	7
4:	PELL (\$3,139,206)	23
5:	GSL (\$8,509,900)	61



CALIFORNIA STATE UNIVERSITY, LONG BEACH

OFFICE OF THE PRESIDENT
(213) 498-4121

December 2, 1985

Honorable Orrin G. Hatch
Chairman
Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Senator Hatch:

In response to your queries concerning my views on the following questions which you raised following my testimony on the Reauthorization of the Higher Education Act on September 10, 1985, I am pleased to reply as follows:

1. The proper division of responsibility between students, parents, or other family, educational institution, the private sector, and government in financing postsecondary education.

The student and parents have the responsibility to finance education to the extent that they are able. Additionally, the student has an obligation to assume primary responsibility for the cost of postsecondary education, from current and future earnings, since he or she is the prime beneficiary of it. However, as long ago as 1947, the Truman Commission recognized the government's responsibility to remove racial, ethnic, and sex discrimination and economic barriers to postsecondary education by two means: (1) increased expansion of low- or no-tuition institutions; and (2) student financial aid in the form of loans, grants, and sponsored employment. Specifically, as the Truman Commission indicated, it is the responsibility of government and the educational institution to insure that "... every citizen, youth and adult, is enabled and encouraged to carry his education, formal and informal, as far as his native capacities permit." Finally, it is the responsibility of the private sector to provide for specialized manpower needs tailored specifically to the needs of an industry or firm by supporting the financing of that aspect of postsecondary education.

Some examples of this private aid might be endowed or annually granted undergraduate scholarships and graduate fellowships; donated, loaned, or purchased scientific equipment which it is not possible for the college or university to

 1250 Bellflower Boulevard Long Beach, California 90840

acquire with its own funds; special faculty lectureships on particular topics of industry or firm interest; or summer opportunities for faculty and students.

2. The proper balance between loans, grants, and work in financial aid packages in order to ensure a student's maximization of his education.

As mentioned above, as prime beneficiary, the student has primary responsibility for financing the cost of postsecondary education from current and future earnings. The further along they are toward their educational goal, the greater their contribution should be. Therefore, financial aid packages for upper-division, graduate, and professional school students should contain substantially more loan and work than should those of first-year students.

Further, students identified as low-income should be given special attention with substantially higher grant resources than those with cash-flow problems.

Whenever possible, students should be allowed a choice of working or borrowing to meet their contribution toward financing their education.

Students who borrow should be limited to an amount that is congruent with their ability to repay, based on their career goals. Further, borrowers should be counseled with regard to their level of indebtedness and their repayment obligations. I have long favored a system whereby student loans would be repaid through the federal income tax system with adjustments made based on the economic success of a loan recipient. If the beneficiary of federal aid had substantial earnings beyond that projected for his or her career group, then the federal loan might be repaid earlier. If the beneficiary faced unemployment or reduced earnings, then the loan repayment might be stretched out over a longer period.

3. Whether or not more resources for financial aid should be channeled to institutions for disbursement through them to students and why.

Effective distribution of student aid dollars is based on an in-depth knowledge of the student and of the resources available to the student. The institution is in the best position to have information regarding the various need-related factors, including: (1) variations in the cost of education by location and by the course of study, (2) differences in student aptitude and capacity of the student to mesh work and study, (3) length of study associated with different degree and career options, and (4) family and other obligations.

Therefore, adequate funding should be available to institutions to provide students with access to postsecondary education.

-3-

However, as mentioned in testimony, the entitlement and portability concepts of the Pell Grant program must be maintained. Providing all eligible students a floor of grant aid irrespective of the institution they choose to attend is critical. Otherwise, shortages of aid funds at individual institutions could make access to postsecondary education a financial impossibility for some students.

4. Whether or not, and how, greater concern with a student's educational achievement levels should be made a part of criteria for financial aid.

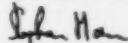
Current Law is sufficient in that it specifies that in order to receive Title IV student aid funds a student must be maintaining satisfactory progress in the course of study he or she is pursuing, according to the standards of the institution. The statute allows the institution to establish its own standards, which in many cases are more restrictive for students receiving financial aid than those not receiving assistance.

In fact, the Department of Education's interpretations of the current statute penalizes students. Specifically, the Department requires institutions to consider a student's academic performance prior to the receipt of Title IV funds and during periods of non-receipt of assistance. The language of the statute should be revised to specify that the Title IV recipient only be required to maintain measurable satisfactory academic progress while receiving such funds.

I hope that these answers are helpful.

With kindest regards,

Sincerely yours,



Stephen Horn

SH:sp

Senator STAFFORD. Thank you very much, Dr. Horn, for a very thoughtful statement.

We will next hear from Mr. Michael Crawford, chancellor, Eastern Iowa Community College district, in Davenport, IA.

Mr. CRAWFORD. Thank you, Mr. Chairman. It is a privilege to speak to you today on behalf of my institution, also on behalf of the Joint Commission on Federal Relations of the Association of Community College Trustees and the American Association of Community and Junior Colleges, which I chair.

Access, Mr. Chairman, to higher education is a uniquely American dream, one recognized by the founders of our country, encouraged by the Congress, and nourished by a uniquely American institution—the community college.

There are, as you know, over 1,200 community, junior, and technical colleges in America today, and this year they will enroll over 55 percent of all Americans who go to college for the first time—a total of 8.5 million students.

Because no two communities are alike, no two community colleges are alike, but we all share a set of fundamental principles and a set of critical challenges. One way of meeting those challenges is the establishment of partnerships between public and private sectors and postsecondary institutions, and I believe this should be an item for discussion in these reauthorization hearings.

In fact, I might mention that this morning legislation relative to the Higher Education Act was submitted by Congressman Bruce on the House side concerning this particular issue, the issue of partnerships. Partnerships with community colleges, 4-year institutions—which the president of Michigan State referred to, earlier and I agree with so wholeheartedly—partnerships with Government, the military, health agencies, and other nonprofit organizations, and cooperative sharing of resources and knowledge—through those kinds of things, community-based colleges will continue to expand to meet the educational needs of our changing society.

Of particular importance to us are those partnerships that encourage the flow of technology between industry and education. Further, the need for facilities and state-of-the-art equipment with which to prepare tomorrow's technicians is urgent and serious, especially for the emerging areas of robotics, computer applications, microelectronics, laser technology and biotechnology.

Therefore, with the appropriate modification of title I, Congress can encourage partnerships and support timely technical education.

Concerning title III for developing institutions, community colleges serve more Hispanic and black students than all other segments of higher education combined. They also serve more working adults and disadvantaged students and provide more programs expressly tailored to the private sector's training needs than any other postsecondary system.

Title III, as detailed in my written testimony, could target support more effectively on those institutions whose development will do the most to stabilize and expand universal access to college and which serve those populations most in need.

Of course, we also in the community colleges have special concerns regarding the reauthorization of the Pell grant program. A substantial part of my written testimony deals with specific points which we are asking the subcommittee to consider.

Our position recognizes both the exceptional success of the current program and the fact that with passage of the latest budget resolution, increases in Pell grant support will be limited for at least 3 years.

Among other things, we urge you to restore and maintain the purchasing power of the Pell grant, retain the current emphasis on need, simplify the whole student aid process, establish annual time-tables, reduce the paperwork burden for everyone involved, and make the program more clearly understood and easily accessible.

We also ask that you add provisions which will meet the specific needs of adult learners, less than half-time students and commuter students, and that you make gradual adjustments in the cost cap percentage and in the total amount of money a student can receive.

We have a particular problem in Iowa in relation to this with regard to the displaced farmer and his dependents. Because so many are being forced off the farm because of severe financial difficulties, our community colleges are trying to help them find new occupational opportunities through training or retraining.

These people need the benefits of Pell grants and other Federal student financial aid, but their eligibility is limited because in the eligibility formula the untaxed portion of any capital gains received by the applicant is treated as income.

The farmer who sells his land to pay off his debts, no matter that he has no money left over after doing so, is denied the grant benefits which he desperately needs. It is my recommendation that the formula for eligibility be modified to discount this specific kind of capital gains income if it has been applied to debt reduction.

Finally, the community colleges are particularly gratified that Senator Grassley, a member of this panel, is taking the initiative for the reauthorization and reform of title VIII, Cooperative Education, with his bill S. 1338.

Title VIII is an excellent program designed to stimulate the development of cooperative education programs in conjunction with public and private employers. Cooperative education projects provide students with career-related work experiences and income to help meet educational experiences.

Mr. Chairman, on behalf of the organizations which I represent, I thank you for this opportunity.

[The prepared statement of Mr. Crawford and responses to questions submitted by Senator Hatch follow:]

TESTIMONY

on

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

before the

SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
COMMITTEE ON LABOR AND HUMAN RESOURCES

by

MICHAEL E. CRAWFORD
Chancellor

The Eastern Iowa Community College District

on behalf of

THE JOINT COMMISSION ON FEDERAL RELATIONS

of the

ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES
and the
AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

U.S. SENATE
September 10, 1985

Mr. Chairman, members of the Subcommittee, my name is Michael Crawford and I am Chancellor of the Eastern Iowa Community College District. Today I speak to you on behalf of the institution which I head and also on behalf of the Joint Commission on Federal Relations of the Association of Community College Trustees and the American Association of Community and Junior Colleges of which I am Chairman.

It is a privilege to be able to testify before this Subcommittee about the reauthorization of the Higher Education Act and its significance to our Nation and its people.

The institutions on whose behalf I speak to you today are called by many "The People's Colleges" and in many respects the term is aptly applied. There are over 1200 community, junior and technical colleges in America today and this year they will enroll 8½ million students. These colleges now enroll 55% of all Americans who go to college for the first time.

Access to higher education has been a uniquely American dream, a dream recognized by the founders of our country, instilled in our children through the ages, encouraged by our leaders and particularly by the Congress, and nourished by a uniquely American institution, especially during the past 20 years - the community college. So it is with pride in the institutions which I represent and with gratitude to the Congress that I am here to comment on the reauthorization of the Act which historically has contributed in so many ways to the realization of this uniquely American dream.

TITLE I

Much is heard these days in Washington and throughout the Nation about the need for cooperative partnerships. Community colleges have often spearheaded these partnerships in their local communities. My own institution in Eastern Iowa is involved in three kinds of partnerships: private/public, public/public, and partnerships within

the educational community. We administer the regional Job Training Partnership Act program which is representative of the Federal encouragement of private/public partnerships. And, through support from Iowa's unique statute, called the Iowa Jobs Training Program, our institution and many other community colleges in Iowa are providing start up training or retraining for workers in businesses which want to locate or expand in Iowa. These partnerships are having a positive effect on Iowa's economy, on individual private corporations, and on the lives of individual workers. On the public/public level, our institution has trained staff for the Rock Island Arsenal, a Federal installation located in Illinois; and has joined with the City of Davenport in constructing a new facility providing space for both the Eastern Iowa Community College District and the city's Ground Transportation Center supported in part with Federal dollars. And particularly beneficial to us has been our partnerships with other educational institutions. The cooperative vocational/technical training program with local high schools using a 2 + 2 organization, that is, two years of high school training plus two years of community college education; our donation of acreage to the Pleasant Valley School District to be developed into shared recreational facilities; and an articulation agreement with St. Ambrose College that allows our students to transfer in-full all of the credits earned through our colleges are examples of that kind of cooperation. We are committed to the establishment of these partnerships with our community and we will work aggressively to expand their numbers.

Expanding the provisions of Title I, Continuing Postsecondary Education Program and Planning, to provide incentives for the establishment and expansion of these locally and nationally beneficial partnerships could continue to do much to move these relationships from talk to implementation. We in the community colleges need the private sector's advice on curricula design and content; we need to respond to the private sector's specific and general workforce needs; we need the private sector's machinery, personnel and facilities to help us with our training programs. In turn, we will continue our already

significant contribution to these cooperative partnerships. The appropriate modification of Title I could make the flow of technology between industry and the classroom and laboratory a National partnership which will provide the impetus for the educational revolution which must lead us into the 21st century.

TITLE II

Title II, College and Research Library Assistance and Library Training and Research, should be broadened in its focus to encourage and support the use of presently available and emerging media technologies throughout the learning process. The national explosion in the use of technology has impacted the libraries and media centers of the community, junior and technical colleges, as well as the rest of our society. My own institution, with financial assistance from the National Telecommunications and Information Administration, is building a microwave telecommunications system which will enable us to expand our offerings, to increase community accessibility to higher education, and to increase cost effectiveness in educational programs and services. Unfortunately, the agency from which we have received financial support is not likely to provide similar future support to other community colleges because of policy and/or lack of appropriations.

There is a sizable need for Federal dollars to support libraries that function as comprehensive learning resource centers and are the backbone of postsecondary education. Most community, technical and junior colleges are unable to keep up with the rapidly changing technology associated with learning systems or to maintain the quality of their learning resource centers and collections in the face of the soaring costs of equipment, software, books, and periodicals. A new Part D of Title II is proposed to meet these needs. Another great need and opportunity exists to which Title II could respond if policy and appropriations would permit. Funds currently funnelled through the states by authority of the Library Services and Construction Act go mostly to the support of public and special purpose rather than college libraries, at least in Iowa. If funds were authorized and appropriated

for Title II for the provision of automated systems for resource sharing, the community colleges could greatly expand their library and media resources by sharing the resources of the public libraries on a community, region and state-wide basis.

TITLE III

I recommend that a new Title III, Institutional Aid, be adopted in the reauthorization of the Higher Education Act. This Title should have three Parts:

1. Part A should provide grants to institutions to plan, develop or implement activities which would strengthen the institutions. Institutions which still meet other eligibility requirements and which have received support from Title III for less than five years should be allowed to apply for additional Title III support.

2. Part B should provide for assistance to historically Black Colleges alone.

3. Part C would renew the challenge/endowment grants program and should be changed to permit all institutions with general Title III eligibility to compete freely for such grants. The current provision which permits only recipients of support from the existing Parts A and B to be eligible for challenge/endowment grants should be eliminated.

Title III as recommended here would target support more effectively on institutions whose development will do the most to stabilize and expand universal access to colleges and which serve the neediest populations. The community, technical and junior colleges serve more Hispanic and Black students than all other segments of higher education combined. They also serve more working adults and disadvantaged students and they provide more programs expressly tailored to the private sector's advanced and changing training needs than any other postsecondary system. Were these patterns as fairly weighed in the Title III awards as the Law's original purposes indicate they should be, these community, technical and junior colleges would be receiving a greater share of Title III support than they are. In fact, I urge you and your colleagues to consider authorization language which would assure that these institutions receive fully proportional funding equity based on target populations served in both Parts A and C of this recommended new Title III.

The historically and traditionally Black colleges and universities have made enormous contributions to achieving equal opportunity through postsecondary education for Black, low-income and educationally disadvantaged Americans, an effort which has been endorsed by stated National Public Policy. But, these same institutions have not always received their fair share of Federal resources through historical legislation and programs such as the Morrill Act of 1962, the Higher Education Act of 1965, and the award of other Federal grants and contracts.

Renewal of the challenge/endowment grants program is vital to developing institutions. Developing colleges typically have a serious need for even modest amounts of "unrestricted" funds for programs that serve the academically and economically disadvantaged and to promote regional and local economic development. Title III challenge/endowment grants would provide the seed funds which would support these important initiatives.

There is another Title III matter which I should like to bring to the Subcommittee's attention. The 1972 amendments directed the Education Department to employ three GS-super-grade executives with community college backgrounds. The Department has ignored this provision in the Law and the Office of Postsecondary Programs continues to operate with a single senior executive who is fully grounded in community and technical college work.

TITLE IV

The organizations which I represent believe that the reauthorization of the Pell Grant Program should be based on the extension of current law. This position recognizes both the exceptional success of the current program and the fact that, with passage of the latest Budget Resolution, increases in Pell Grant support will be limited for at least three years.

Of primary importance is the restoration and maintenance of the purchasing power of the Pell Grant. Erosion of this purchasing power diminishes postsecondary educational access for the low-income student whom the program was meant to help.

There is an urgent need to simplify the whole student aid process and to establish annual timetables that improve both program efficiency and participation. The goals should be to reduce the paperwork burden for students, institutions and the Department of Education and to make the program more clearly understood and easily accessible to potential applicants.

Additionally, we should like to propose the following for the Subcommittee's consideration:

1. Retain the current emphasis on need.
2. Extend the current provision of incremental increases in both the maximum grant and the percentage cap on allowable costs, until the maximum grant reaches \$3,400 by F.Y. 1991 and the cost cap reaches 70 percent when the maximum exceeds \$2,600. The cost limitation should remain at 70 percent.
3. Add special provisions to meet the needs of adult learners by excluding home equity, unemployment compensation, ADC and AFDC from the means test for Pell Grants eligibility -- and adding child care expenses to the cost-of-attendance calculations.
4. Extend eligibility to less-than-half-time students.
5. Modify the cost-of-attendance criteria to reflect the real costs of commuter students. We recommend that the commuter allowance for students living off-campus but not with parents (currently \$1,600) be comparable to current budgets for residential students. In addition, the living allowance for commuter students living with parents should be increased. This allowance, set at \$1,100 in 1972, has not been adjusted since. If the limit were increased simply to reflect inflation, it would be \$3,600.
6. Implement the Education Amendments of 1980, which addressed this inequity by allowing institutions to determine the cost-of-attendance for commuter students as they now do for residential students.

One last recommendation about Pell Grants. We have a particular problem in Iowa in relation to the displaced farmer and his dependents. Many of our farmers and their dependents are being forced "off the farm" because of insurmountable financial difficulties and our community colleges are trying to help them find new occupational opportunities through training or retraining. These people need the benefits of Pell Grants and other Federal financial aid, but their eligibility is limited because of the eligibility formula. In determining eligibility the untaxed portion of any capital gains received by the applicant is treated as income. So, the farmer who sells his land to pay his debts, no matter that he has no money left after doing so, is denied the grant benefits which he desperately needs. In the three colleges of the Eastern Iowa Community College District alone, we estimate that approximately 900 farmers and their dependents have been thusly affected.

It is our recommendation that the formula for eligibility be modified to discount this specific kind of capital gains income if it has been applied to debt reduction in some reasonable period of time. It should be noted that this same farmer is often denied access to Guaranteed Student Loan funds if he is in bankruptcy.

In addition to my comments on Pell Grants, I wish to recommend that all the other Title IV programs be extended by reauthorization as absolutely essential to the continuance of higher educational accessibility for millions of Americans.

TITLE V

The strengthening of elementary and secondary education inevitably centers on sharpening the skills of the teachers. Teacher training and certification traditionally have operated largely at the convenience of the providers - the institutions - rather than the participants. Through Title V reform, federal support should foster programs that promote greater accessibility, convenience, choice and economy for the participants, and thus encourage teachers to give higher premium to advancing their professional skills. The programs should draw upon the exceptional teachers in community and technical colleges to work

in consortia with university faculty, in order to make the training more accessible, convenient and economical for teachers seeking preservice and continuing advancement.

TITLE VI

Just as the economies of all nations are increasingly interdependent, international trade is indispensable to the American economy and to our productivity and prosperity. International trade accounts for 22 percent of the U. S. Gross National Product, compared with 11 percent in 1970, and 3 percent before 1940. The jobs of one out of every five Americans depend upon international trade. One out of every three acres of U. S. farmland produces items for export. By the year 2000, 12 of 13 minerals required for industrial operations will have to be imported. We ignore these facts at our own peril. To continue to lead the world, our colleges have to place more stress on programs that reveal the essence of other cultures. We must offer courses and programs designed to stimulate small and medium-sized businesses to trade their goods and services abroad, vastly multiply American fluency in foreign languages, and conduct programs that build upon the rich traditions of ethnic groups in the community. It is also important to infuse appropriate curricula with international materials, invite educators and business persons from other countries to share their perspectives in the communities, and create linkages with firms in the community that have international operations. These activities will provide opportunities for the general public to understand its connection with people across the world. At the same time, we have to be more aggressive in telling the world about ourselves, in eliminating negative and false impressions that other peoples have of us, and in sharing our know-how and our institutions for adaptation suitable to other countries.

Title VI, if reauthorized and funded adequately, can contribute significantly to meet these recognized needs, problems and opportunities.

TITLE VIII

I am particularly gratified that Senator Chuck Grassley is leading the effort in the Senate to reauthorize and reform Title VIII, Cooperative Education, by the introduction of his Bill, S. 1338, and I urge support of his Bill.

Title VIII is an excellent program designed to stimulate through postsecondary institutions the development of cooperative education programs in conjunction with public and private employers. Cooperative education projects provide students with work experiences that relate to their career objectives while also providing earnings to help meet the costs of postsecondary education. Title VIII also contributes significantly to the establishment of public/private and public/public partnerships which can and do grow out of relationships established initially with support from Title VIII. We recommend that Title VIII be extended and that the authorization of appropriations be increased in five million dollar increments from \$50 million in 1986 to \$70 million in 1990. We also recommend that the cooperative education program be made available to certificate candidates in one (1) year curricula who carry at least one-half the normal full-time academic workload in an institution which provides a two-year program which is acceptable for full credit toward a bachelor's degree.

TITLE XI

Title XI, Urban Grant University Program, is authorized, but unfunded. We recommend that the authorization be extended as a potentially significant resource for cities to deal with community problems. The Title should be changed to emphasize cooperation between urban universities and community/technical colleges and coordination with programs administered by other agencies.

* * * * *

There is another serious and urgent matter in which community colleges have a great interest and that is the current and emerging needs and opportunities for the development of programs in the new

technology areas. These include, but are not limited to, such fields as robotics, computer applications, microelectronics, laser technology, telecommunications and bio technology. We have spoken often to Senator Grassley and his staff regarding the serious need for facilities and equipment with which to prepare tomorrow's technicians, and the Senator has recognized the need. His response has taken the form of the Grassley-Gibbons Bill which would make it easier for industry to give state-of-the-art equipment and instructional assistance to postsecondary technical training.

We believe that this need is and will be so great within the immediate future that additional consideration of Federal support for technical education in the areas of program planning and implementation, teachers, and facilities and equipment should be given by this Subcommittee in its deliberations on the reauthorization of the Higher Education Act.

* * * * *

Mr. Chairman and members of the Subcommittee, thank you for hearing my view and the views of the Eastern Iowa Community College District, and the Joint Commission on Federal Relations of the American Association of Community and Junior Colleges on the reauthorization of the Higher Education Act.



Joint Commission
On Federal Relations

AACJC

October 31, 1985

The Honorable Robert T. Stafford, Chairman
Subcommittee on Education, Arts and Humanities
U.S. Senate
133 Hart Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

The attached statements are the response of the Chairman of our Joint Commission on Federal Relations, Michael Crawford, Chancellor of the Eastern Iowa Community College District, to the four issues that Senator Hatch posed to witnesses who appeared during your recent hearings on the reauthorization of the Higher Education Act. Please incorporate them in the hearing record, if that is appropriate. Our Associations appreciated the opportunity to be represented in your hearings.

Sincerely,

Frank

Frank Mensel
Vice President for Federal Relations, AACJC
Director of Federal Relations, AACCT

FM:egd

Enclosure

cc: Senator Hatch
Michael Crawford

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Answers to Senator Hatch's Questions from the Higher Education
Reauthorization Act Testimonies

1) The proper division of responsibility between student, parents or other family, educational institution, the private sector, and government in financing postsecondary education.

Response:

The question of who should pay, and how much, is an ongoing dilemma. The debate that focuses on who benefits sees the student as a primary beneficiary and society as a secondary beneficiary. According to this philosophy, the students should bear the greater burden of their educational costs. If one were to adhere to this theory though, access and choice would be denied, as well as quality, because of inhibiting costs of financing postsecondary education. Thus, a balance of financial responsibility is necessary.

Historically, in public postsecondary education, the student and family bear approximately one-third of the costs, with the institution and the government bearing the remaining two-thirds of the costs. In the private sector, the student and the institution bear a heavier burden because of their independence from public financing.

One must look at postsecondary education today differently because of the federal debt, the changing student population, the increasing institutional need to meet technological changes, and the challenge to the U.S. economy and workforce to meet global competition.

Can the federal government continue to maintain its role in financing postsecondary education? The education community recognizes the financial pressures on the government at this time, but believes the answer to this question is yes, and must be yes.

The majority of postsecondary students today are very different from the college enrollments of a generation ago. They are decidedly older, and most carry both their college work and a job. More and more are full-time breadwinners who attend college part-time. The real majority are women, and a growing proportion are homemakers, minorities and displaced workers who face serious hardships in meeting even one-third of their college costs from their personal funds.

In sum, two points are worth stressing.

The sweeping change in the populations on our campuses comes about directly from Congressional design. We fervently urge that Congress not waver on this historic commitment to postsecondary access for all Americans. Only superior skills can maintain our place in the forefront of global competition. In its recent analysis of student aid, the National Governors Association stressed the historic balance and division of responsibility between the States and the federal government, with the States concentrating their support on the institutions and the Congress ensuring access for the student. We believe these complementary roles should be maintained.

2) The proper balance between loans, grants, and work-study in financial aid packages in order to ensure a student's maximization of his education.

Response:

Increasingly, we see the government placing more emphasis on loans and less on grants. Community colleges see this as a dangerous trend. The most economically disadvantaged students are also typically the most deprived educationally. For them Pell Grants are almost always the only realistic form of financial aid. For low-income students who are overcoming less hardship, work-study also provides indispensable assistance. If the national promise of real postsecondary access for all Americans is to be maintained, Pell Grants must remain the first option in student aid.

Because of increasing educational and personal costs, students are assuming a larger and larger debt burden. Students are borrowing more and more with only the hope that they will be gainfully employed upon graduation and can repay the loans. While the overall national default rate is running just four percent, the average student debt burden is increasing steadily. This hits the non-traditional student the hardest.

First-generation students fear loans because their parents didn't attend college and they may feel insecure about their career and economic hopes. Minority students fear loan debts for the same reasons. Older students fear loans because many of them are displaced homemakers and workers who have family and other obligations. Yet more and more of these students are borrowing to the limit because of the inadequate grant aid. It also discourages students from seeking graduate level work.

At the same time, heavy debt invariably discourages the most able students from persisting in graduate and professional studies that would benefit the nation as well as the student.

In short, the universal access that bipartisan Congressional leadership has long labored to establish will become a hollow promise unless Pell Grants remain the central student aid program.

3) Whether or not more resources for financial aid should be channeled to institutions for disbursement through them to students and why:

Response:

Whether the federal government, a state agency or the institution disburses financial aid to students can make a difference. If institutions received more of the financial aid to disburse themselves to the students, several advantages would be gained.

First, students could apply at the college and not be scared away by the detailed forms. This can be very important for first generation college students, minorities and part-time students.

Second, true costs of attendance at any college are better gauged by that institution than by any other agency; hence the colleges themselves are in the best position to tailor aid payments to their students' actual needs.

There would be obvious risks, of course, in giving the institutions more discretion and autonomy. On the other hand, such a step could eventually lead to significant economies by ridding the government of a vast chunk of its paper-work. We assume the government would continue to monitor the institutions closely, to ensure that affirmative action and needs tests were scrupulously applied.

4) Whether or not, and how, greater concern with a student's educational achievement levels should be made a part of criteria for financial aid.

Response:

Should a student be turned away from financial aid if they receive bad grades? Most people would say yes as a matter of principle. Community colleges take it one step further. A community or junior college is not only a place where students can earn a transferable Associate Degree, but it is often the only place where disadvantaged students can try serious learning on an adult level. Some of these students do not have a high school diploma and are working on their GED. Some are in need of extensive remedial education or refresher courses, often because of a poor high school education.

Who are these students? They are the 45 year old displaced homemaker wanting a degree and a career without any prior postsecondary education. They are the truck driver, coal miner, steel worker, who because of changes in the economy need to seek an education for a new career. Not all community college students fit these characteristics, but can we turn working adults, displaced workers and single parents who need new skills away? Community colleges have been going to exceptional lengths in recent years to make sure their "ability to benefit" students are meeting well-defined standards of academic progress.

Students should be required to be "making satisfactory progress" in college, but the institutions themselves can best set these standards and make that determination.

This is not to say that academic standards at two-year colleges for these students should be lower than other students. It does mean that individual student circumstances should be taken into consideration when deciding whether or not to award financial aid.

Senator STAFFORD. Thank you very much indeed, Mr. Crawford. The committee next will hear from Dr. Mary-Linda Merriam, who is president of Wilson College in Chambersburg, PA.

Dr. MERRIAM. Mr. Chairman, I thank you and the members of the subcommittee for the opportunity to speak to you today on behalf of Wilson College.

Wilson College is one of the oldest colleges for women and one of the smallest colleges in the United States. It is 116 years of age, and for over 100 of our 116 years we have served between 200 and 500 students. We currently have 200 undergraduates, plus 155 men and women that we serve through our division of continuing studies in order to serve our region.

We are particularly pleased, too, with the amount of alumni support. This particular year we have had 58.6 percent of alumni showing their support—donating moneys—for the college, and that helps us rank No. 1 in the Nation among the women's colleges.

I would like to express particular gratitude to you, and I am sure that my colleagues on behalf of the smaller colleges in this country would join me, for all you have done for higher education and for what you are continuing to try to do.

I would particularly thank you for the comments that you made most recently in the Chronicle of Higher Education concerning your concern which we all wish to express and follow through on, and that is concern for quality in higher education.

Senator STAFFORD. Thank you.

Dr. MERRIAM. Title IV for student financial aid is something that is of great concern for us as a small, private college. I would like to share one personal experience with you of one of our students.

We have a student whom I shall call MK. Her family came over from Vietnam recently. MK is the oldest of nine children. She began Wilson 3 years ago; she is currently a junior. Because of Federal aid, in combination with institutional aid, this young woman, whose parents hold maintenance and housekeeping positions, is able to complete her education and has a strong grade point average.

Two of her brothers and sisters are now in college, also, one each year, which is a load for any family. But MK serves as a source of inspiration for me as president of a women's college, and I am sure is an example of thousands and thousands of young people who otherwise would be deprived the ability to go to either a public or an independent institution if it were not for Federal financial aid.

At Wilson College, 69 percent of our students have institutional aid and 64 percent of our students have Federal financial aid. Ten percent of our operational budget goes toward our institutional aid portion.

I would point out that our default rate on GSL's—and we can track this particularly through our 700 students that apply for the guaranteed student loan through the Pennsylvania Higher Education Authority—we have a .02 percent default rate, and we are proud of that. Now, that is just of the 700 that we can track, but there are less than 10 students that have defaulted.

For our national defense student loan, which is also an important program for us, our default rate is only 4.8 percent, and falling. I express my personal concern and certainly a pledge that this

is something that the presidents have concern for, and I would certainly want to see that the programs mitigate any possibility of abuse.

I would also express concern for loan burdens; that we not have such a great loan burden for our young people, or great debt burden, by the time they graduate. I have appended to my testimony some specific recommendations that were developed by the National Association for Independent Colleges and Universities.

Overriding those specific recommendations is my personal concern that we do all we can to work together between the public and the independent sectors because, of course, what matters very much is that young people have the opportunity for an education.

Let me turn for a moment to title III because Wilson College has been a recipient over the last 3 years of \$320,000 of money from the title III program. This money helped us gain private money, and it also enabled us to provide a computer literacy program for all of our undergraduates, to begin a 2-year program in computer information systems, to establish a learning resource center for all of our students, and to improve our advising and our career planning programs for our students.

In addition to permitting us to secure additional private money, a major point that I would make about this program is that with that money for the 3 years, it provided seed money and we were able to get these programs started, all of which we are now able to continue on our own. We would not have been able to continue it on our own if it had not been for the help that we received, and we are very grateful for that.

Finally, I would simply say that our population is changing. For a college that served a traditional undergraduate population for certainly, again, well over 100 years of its existence, we are now facing a population one-third of whom are adults.

Without giving you any specific recommendations, I certainly urge for your consideration the possibility of funding for adults who are returning to school on a part-time basis.

I thank you very much for this opportunity.

[The prepared statement of Dr. Merriam and responses to questions submitted by Senator Hatch follow:]

TESTIMONY OF

MARY-LINDA MERRIAN
PRESIDENT

WILSON COLLEGE
CHAMBERSBURG, PENNSYLVANIA

BEFORE THE

SENATE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
ROBERT T. STAFFORD, CHAIRMAN

SEPTEMBER 10, 1985

Mr. Chairman and members of the Senate Subcommittee on Education, Arts, and Humanities, my name is Mary-Linda Merriam. I am the President of Wilson College, a four-year liberal arts college for women founded 116 years ago and located in south central Pennsylvania. I have served as president of this institution since 1981.

I am pleased to appear before you today to present the recent experience of Wilson College regarding several titles of the Higher Education Act for your consideration as you are formulating the reauthorization of this landmark act which provides education for the citizens of our democratic nation.

Wilson College is and always has been one of the smallest colleges in our nation. With the exception of the decade of the 1960's, enrollment at Wilson College has been between 200-500 students. The documented record of its graduates has been outstanding and it has enjoyed the reputation of being one of the more rigorous of the liberal arts institutions. A 1974 study done by M. Elizabeth Tidball on women graduates who achieved a research doctorate and/or mention in Who's Who in American Women showed graduates of Wilson College ranking overall 124th among the 2,800 colleges and universities in percent of women undergraduates who obtained the Ph.D. degree in the physical sciences, twenty-third in the biological sciences, and twenty-seventh in the arts and sciences. A followup study by the same author soon to be submitted for publication will also show Wilson with an outstanding record.

In its mission statement written in 1869 the stated goal of the college was to provide a liberal arts education for women equivalent to the best then available to young men. The college pledged to provide such an education at moderate cost. In recent years that pledge has been kept in several ways. Our total fee package (tuition, mandatory fees, room and board) is \$9,987 for 1985-86, with 25% of that figure offset by institutional financial aid. In 1984-85, 68% of our students needed and received institutional aid.

The studies done by the National Institute for Independent Colleges and Universities (NIICU) indicate an alarming trend that can be documented by experience at Wilson. It was noted in their studies that in recent years there are fewer students receiving grant aid and more students receiving loans. Against this backdrop, let us look at the critical and much appreciated help provided our Wilson students through federal financial aid under Title IV.

In 1984-85, 64% of the students at Wilson College received federal financial aid as authorized by Title IV of the Higher Education Act. In 1980-81, 60% of our students were receiving federal aid. It is important to note that the size of the student body was relatively constant for those two years. In 1980-81 Pell Grant awards totalled \$72,435 for 71 students; in 1984-85 the grants totalled \$67,087 for 54 students. The 1984-85 data reveals that 30% of the students at Wilson College received Pell grants. All had family incomes of under \$25,000 and 12% of those students came from families with adjusted gross incomes of under \$11,000. By way of contrast, in 1980-81, Guaranteed Student Loans totalled \$134,814 to 66 students; in 1984-85, \$250,694 was given to 126 students. This is a 91% increase in the number of students needing the loan program.

The danger posed by this increasing shift to loans is that undergraduates will leave school with debt burdens so great that they may be unable to repay them, a burden that would discourage them from pursuing graduate study, and a burden which also creates situations where the purchasing ability of a generation of young women is decreased thereby affecting the overall economy.

There is no question that the cost of education at our independent college has risen. The total fee package (tuition, mandatory fees, room and board) for 1980-81 was \$5,975 with \$4,050 as tuition. This contrasts with 1984-85 where the total was \$9,350 with \$6,436 as tuition. As tuition has increased, however, so has institutional financial aid from dollars generated from endowment and annual giving. In 1980-81 Wilson was giving \$205,000; in 1984-85, \$367,000. We projected aid of

\$415,000 for 1985-86. As a college we rank among the top of the Pennsylvania institutions in the percentage of our operating budget which is earmarked for financial aid, and yet, our grant to loan ratio for our students is decreasing. This is particularly worrisome for although our low income students are receiving higher grants, their loan obligations are increasing at a faster rate.

Average family income in 1980-81 for Wilson students was approximately \$21,000; in 1984-85 it was \$24,700 with much of this increase resulting from inflation rather than real income. Of students receiving some form of federal financial aid in 1984-85, 55% of our students had family incomes of less than \$25,000; 18% had family incomes of \$25,000-\$32,500 and 27% had family incomes of \$32,500 or above. In this last category, families were using the Guaranteed Student Loan Program almost exclusively in order to meet the expenses at Wilson. Thus, at Wilson the experience corroborates the stated goals for federal financial aid, targeting grants for low income students and loans for middle income students.

It would have been impossible for the majority of our students to have their full financial need met if it had not been for loan programs in addition to the Guaranteed Student and "PLUS" loan programs. I refer specifically to the National Direct Student Loan Program. Wilson College has a revolving fund of nearly \$90,000 which is used to fill in the gap for all of our students on aid who need it. Over 700 Wilson students have borrowed monies through the Guaranteed Student Loan Program administered by the Pennsylvania Higher Education Assistance Agency since its inception. At this time, fewer than ten students who are in repayment are in default. Similarly, our default rate for our National Direct Student Loan Program is now currently at 4.8% and falling.

College Work Study is another significant program that helps to fill in the gap between cost and family contribution. In 1980-81 the college received from the government \$26,861 and the institution added to that \$6,715 to make a total of \$33,576. In 1984-85 the federal contribution to CWS was \$23,082 or a 14% decline;

the institution has increased its contribution to CWS to \$19,000 or a 280% increase. In addition, the college provided another \$30,000 for students to hold jobs within the institution beyond the CWS program. There is little question that because independent colleges typically have higher tuitions than public colleges, our students tend to have a greater need for the supplemental student aid programs.

I recommend for your consideration the proposal put forth by the National Association of Independent Colleges and Universities (NAICU) and I have appended their recommendations to my testimony. It is committed to focusing grant aid on the low-income students and low interest loans with more modest grants available to meet the financial needs of middle income students.

Wilson College has enjoyed phenomenal success in these last six years regarding alumnae giving. We ranked first among the women's colleges in 1982-83 and we feel certain that we will rank in the top one or two this year with 58.6% of all of our living alumnae having donated money to the college. We rank in the top twelve of all the colleges and universities in the nation. There is no question that private gifts are an important part of the annual budget. Even with an impressive giving record yielding over \$1,000,000 annually to the operating budget, bringing a small college into the technological era could not have been accomplished had it not been for the federal government's Title III program. Wilson applied for funds and received from 1982-83 through 1984-85 a total of \$320,867. These monies have allowed us to:

1. Update our curriculum through requiring computer literacy of every student; adding a two-year program in computer information systems; expanding the international focus of the curriculum by providing beginning language course capability through the computer; providing support services enabling the creation of a new learning resources center; and expanding our Veterinary Medical Technology program to include both an associate and a baccalaureate degree.

2. Improve our admissions program through advancing the work of alumnae-admissions representatives and through the addition of an institutional researcher whose purpose was to collect data and set up a procedure for the on-going collection of data after the period of the grant.

3. Improve student life and career planning and placement through the establishment of a new educational advisement program, a mentoring program involving 200-300 alumnae, and a professionals-in-residence program.

I am pleased to report to you that all of these activities have been completed. To me, the most important fact about the Title III program is that it allows the institution funds for activities that can lead it to a self-supporting stance. Without the funds, we wouldn't have been able to attract other private funds or to begin the activities - particularly those that required hardware such as the computers. For small institutions with limited budgets, facing the necessity to keep tuition within a competitive range and yet remain creative in curriculum development and faculty improvement, Title III has played a crucial role. It gave us the sorely needed impetus for progress that we now can continue on our own. Additional funds for new projects are needed, but the important fact as far as I am concerned is that we are able to continue on our own the projects stimulated by funds from the federal government through Title III.

This year we were also fortunate to be funded for a modest amount of money under Title VI. The federal initiative in this title meshed with our goal of internationalizing the curriculum. Wilson College instituted a requirement that all students in order to graduate had to have the equivalent of two years of a foreign language and had to meet a specified competency level on the Foreign Service Examination. Our faculty recognized that in an increasingly competitive and global society, competency in a language other than English is imperative. We also developed language immersion courses for adults, particularly those in the business world. Title VI has enabled us to extend our efforts beyond what could be

accomplished on our own. The program funding will allow us to get this program up and running so that it can become more self-sufficient.

The academic world is changing. I put no value on that statement - for good or for evil. It is simply a fact. At Wilson College we are educating many more adults on a part-time basis than ever in our history. One-third of our student body is over 21 years old and going to school part-time. Our goal is to increase the number of part-time students, with particular emphasis on serving women using creative and educationally sound methodologies. The reauthorization of the Higher Education Act, I feel, needs to provide for adult learning as it does in Title I, however funding of Title I needs to enjoy a higher priority. This tide of adults returning to school not only reflects that desire of women, in particular, to advance their educations, but also reflects the fact that the body of knowledge is increasing, job needs of the society are changing, and very few of us will be working in a single unchanging job for a lifetime.

Education truly is a lifelong activity and the role of the federal government has been critical in establishing within our culture the priority of higher education in meeting our national and international goals. This leadership role has been of incalculable value and in this reauthorization the Congress should build on the solid foundation that the entire higher education community accepts and supports.

Thank you.

ADDENDUM TO TESTIMONY OF MARY-LINDA MERRIAM, SEPTEMBER 10, 1985
SENATE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES

NAICU RECOMMENDATIONS FOR REAUTHORIZATION
OF THE HIGHER EDUCATION ACT

TITLE IV - STUDENT ASSISTANCE

Student Grant Programs - Continue the existing federal policy goal that every eligible student shall receive aid under the Pell Grants, SEOG, and SSIG programs that, in combination with reasonable parental and student contributions, will be sufficient to meet 75 percent of a student's cost of attendance.

Pell Grants - Restructure Pell Grants in order to resolve the long-standing conflict among sectors of higher education over percentage-of-cost limitation/maximum award/funding triggers for other programs by instituting a new Pell Grant formula. The formula would target the program on low-income students and insert price sensitivity into the basic structure of the Pell Grant program, basing eligibility on a two-part formula: (1) half of tuition, mandatory fee, and book expenses for all eligible low- and middle-income students, up to a maximum of \$2,100, plus (2) a substantial allowance to cover living expenses for all low-income students, up to a maximum of \$2,100. This mechanism would award substantial grant dollars to low-income students for their living expenses plus half of their tuition expenses in order to assure their access to all types of higher educational opportunities, but would limit the participation of middle-income students to just half the "price" charged to them.

The proposal assumes the same taxation rates on discretionary income for dependent and independent students in order to provide substantial grants to low-income students and a \$200 minimum award to a student from a typical family of four with one in college and an adjusted family income of \$30,000.

Supplemental Educational Opportunity Grants - Reauthorize the SEOG program with a funding authorization of no less than 15 percent of the appropriation for Pell Grants. Target SEOG funding on students with greatest need for funds (defined as those students whose expected family contribution is less than one-half of their total cost-of-education). Maintain institutional "hold harmless" level at amount institution used in academic year 1985-86 (FY 1985 appropriation). Allocate all new funding above the FY 1985 level only to those institutions whose institutional "Fair Share" exceeds their institutional "Conditional Guarantee". Reestablish institutional matching requirement in program, with matching funds to come from non-federal sources. Drop use of institutionally-provided need-based student grants and awards from formula used to determine institutional need for SEOG.

State Student Incentive Grants - Reauthorize the program and allow states to use up to 50 percent of new allocations, above FY 1985 level, to establish or sustain a 50/50 federal/state matching work-study program.

College Work-Study - Reauthorize the program without changing the language that limits CWS to non-profit institutions, without changing the existing reallocation procedures, and without consolidating the program with Cooperative Education. Allocate new funding above the FY 1985 level as in SEOG (see above).

National Direct Student Loans - Reauthorize the program and rename the program for its principal advocate, the late chairman of the House Education and Labor Committee, Representative Carl D. Perkins.

Guaranteed Student Loans - Reauthorize the program increasing the annual loan limits for those undergraduates who have completed their first two years of study toward a bachelor's degree and for graduate students to \$5,000 and \$8,000, respectively. Aggregate limits are increased to \$20,000 for undergraduates and an additional \$25,000 for graduate students. Limit all loans to need remaining after all federal grant, work, and loan benefits, together with all expected parental/student contributions are taken into account. Provide for borrower-requested consolidation of student loans. Repeal the origination fee. Provide for a federally-guaranteed, but not federally-subsidized, "loan of last resort."

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Reauthorize program with three separate parts: Grants to strengthening institutions, grants to Historically Black colleges and universities, and Endowment grants. Alter eligibility criteria to include a wider body of institutions. Expand permissible uses of grant dollars to include recruitment activities and training of administrative staff. Make Cooperative Arrangements a high priority funding area with more lenient restrictions on participation.

TITLE VII - CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

Reauthorize title with emphasis on renovation rather than new construction. Increase funding authorization to reflect the increasingly critical need for assistance in this area. Streamline title by deleting unfunded provisions for loan insurance and interest grants. Delete community college setaside provision so that all types of institutions compete equally on the merits of their applications.

9/16/85

Questions from Senator Hatch to all witnesses at Higher Education Reauthorization hearings:

Please give me your thoughts, as you choose, on any or all of the following problems:

- 1) the proper division of responsibility between student, parents or other family, educational institution, the private sector, and government in financing post-secondary education;
- 2) the proper balance between loans, grants, and work in financial aid packages in order to ensure a student's maximization of his education;
- 3) whether or not more resources for financial aid should be channeled to institutions for disbursement through them to students and why; and
- 4) whether or not, and how, greater concern with a student's educational achievement levels should be made a part of criteria for financial aid.

FROM: Mary-Linda Merriam, President
Wilson College

1) I think that it is difficult to assign percentages to each constituency. Parents should be expected to plan for the education of their children and should pay as much as can be reasonably expected given their income and number of dependents. Students should be expected to work and contribute, but there is a limit to this before work seriously impedes their studies. A summer contribution of \$1100 plus 10 hours of work a week seems reasonable if jobs are available. I feel that the federal government does play an important role in providing low-interest loans which must be repaid, in providing some type of incentive for parents to save for a college education, and in providing grants to the neediest students so that they may choose private higher education if that is their wish. This last is particularly true since private higher education does raise money and does contribute from its own resources monies towards financial aid to needy students and the government is spared additional public expense in the subsidies which would have to be raised in order to expand public higher education if the private sector were not educating 20% of the students.

2) In my opinion, we should not increase the debt burden. I would maintain the maximum loan at about the same proportion it is already. The number of hours through work study should remain the same also since the main purpose is studying and more hours would intrude upon the time more properly spent in academic work. Grants, then, have to make up the difference if the family is unable to do so.

3) I feel that more financial aid should be channeled into the institution. Money could be saved in the administration of the program and the institution would have more flexibility in meeting the needs of the students with whom it has contact.

4) Satisfactory academic progress should, indeed, be a criterion for financial aid. Institutions, however, need to maintain their flexibility in determining policies appropriate for standards for academic progress that fit the needs and characteristics of their particular student populations.

Senator STAFFORD. Well, thank you very much for a very good statement.

Dr. Rosser, president of DePauw University, I guess you are next.

Dr. ROSSER. Thank you, sir. If you do not mind, I am going to just hit some of the highlights of my testimony to save some time.

Senator STAFFORD. We would be glad to have you do that.

Dr. ROSSER. I am sure you will not mind that.

Senator STAFFORD. No, sir; we will not. Coming from Vermont and Calvin Coolidge's part of it, you know, I appreciate short statements.

Dr. ROSSER. Thank you. I thought it might be interesting for you to hear how a school such as DePauw, which traditionally has been a strong school academically and financially, is faring in this day and age, and then for me to compare that briefly with what is happening nationally to other independent schools.

We have got full enrollment. Our faculty salaries are high in relation to other 4-year colleges. We have got \$60 million in endowment. We are well on the way to finishing a very large campaign, but yet I cannot sleep at night.

Every year when you are trying to put that budget together, you still are back at the basic consideration, and that is that most of your money comes from tuition. We are essentially the highest cost school in Indiana, but still, and I know you asked this question earlier, we are only about 10 percent above where we were 10 years ago in real dollars. Unfortunately, when I mention this to parents they do not relate to it. It does not strike an interesting chord.

I now refer you to chart No. 1 which I put together to look at the statistics for all the private colleges in the country. This comes from the National Association of Independent Colleges. What I find most interesting is that if you look at our collective tuitions over the last 10 years, we are now only about 14.5 percent more than the CPI. I think this is very interesting because there has been so much in the media recently about these dramatic increases in tuition, but when you look at that over a 10-year period, it puts it in perspective.

On the other hand, if you look at the tuitions at the State schools—again, this is a collective figure—you find that they have gone up less than the CPI over the equivalent period.

But the critical thing, of course, is that tuition gap in real dollars that we are left with in 1984-85—and of course it is larger today—is almost \$4,000. This is the average tuition gap between the average college and the average State school.

Yet when we look at other State schools in Indiana, we are talking about a tuition gap of \$6,000 between attending DePauw or a good State school. Now, how do we close it?

Here, I try to show that, in fact, we cannot do it. As far back as 5 years ago, we found we could not close the gap in terms of the aid for which the students were eligible. You see on page 2 at the bottom a chart showing what we have done and what has happened in terms of Federal and State aid.

You heard similar stories from other people testifying today. Our institutional aid has doubled and we still cannot close the gap.

Now, the critical thing is where did we get that money, that additional 1.2 million?

It came out of faculty salaries; it came out of, for example, trying to find some funds to redo our library. It came out of funds we otherwise would have used for scientific equipment—again, just on a small scale, what you are seeing at almost all institutions in the country.

I do not know of any school in the Nation which has been able to make these funds up from increased endowments. We all have used operating funds, and what we are doing is simply redistributing income from those people who can pay to those students who cannot pay, trying to close this gap between the State schools and what we have to charge, and also because of the decline in Federal and State aid.

We cannot turn to the States to make up this difference. That is just not the political reality. We know where the pressures are in the States. So, what we have to do, again, is to ask you to give very serious consideration to keeping on these programs which really have worked quite well—the Pell grants, for example, and the institutional-based awards that we have been able to grant. They have worked quite well.

The real problem, however, for the private schools is we have got to look at the formula for Pell grants. We have got to do something to make that formula more sensitive to dealing with the tuition gap.

You have got the concern about bringing some kind of balance to higher education—a mixed kind of system which we have had for years. I refer you to the NAICU recommendations, and I support those.

Thank you very much.

[The prepared statement of Dr. Rosser follows:]

Statement of Richard F. Rosser
President of DePauw University,
before the Senate Subcommittee
on Education, Arts and Humanities,
September 10, 1985

Mr. Chairman:

I am Richard Rosser, President of DePauw University in Greencastle, Indiana. I am speaking today on behalf of the DePauw University, but, more importantly, for the students who now attend DePauw, and students who may hope to attend it--or schools like it--in the years to come.

I will address primarily the issue of student financial aid rather than institutional support. DePauw is one of the stronger four-year undergraduate liberal arts institutions in the country, and does not expect direct Federal or State support. But we do want students from all walks of life to have a reasonable chance to attend a school like DePauw.

On the surface, things look rosy for DePauw. We have full enrollment--2,300 students--and this figure has not varied more than 100 either way over 20 years. Our faculty salaries place us among the top 10% of four-year colleges nationally. We have \$60 million in endowment, and are finishing a five-year \$100 million campaign over a year ahead of schedule. Our physical plant appears first-rate.

But there are long-range problems:

- The bulk of our operating budget will always come from student tuition.
- We have raised tuition each year, as we must. We are the highest cost school in Indiana--but we always have been at or near the top. In real dollars nevertheless we are only 10% above our tuition of ten years ago.
- Meanwhile, tuition increases at the heavily subsidized state schools in Indiana have been held below the rate of inflation

over a comparable period until quite recently, and our major competitors for students are the better state schools in Indiana--not other private schools.

- The "tuition gap" for DePauw therefore is steadily increasing.

The situation nationally is not all that different. I refer you to a recent study by the National Association of Independent Colleges and Universities, "Chart #1" at the end of my testimony.

This demonstrates that:

- Independent colleges on the average have increased tuition 14.5% in real dollars over a ten-year period--not the "horrendous increases" widely attributed to them by the media.
- But state supported institutions, not necessarily by choice, have held tuition increases below the rate of inflation.
- Nevertheless the gap has grown from \$1,662 to almost \$4,000 (and over \$4,000 for 1985-86).

Yet this is the average gap. The gap between DePauw's tuition and that of state schools in Indiana is over \$6,000.

The real question is how to close--or at least narrow--the gap to give students with need the choice among institutions, rather than merely forcing them into the cheapest institutions.

How do we close the tuition gap at DePauw? In blunt terms, we can't!

<u>Academic Year</u>	<u>Federal Aid</u>	<u>State Aid</u>	<u>DePauw Institutional Aid</u>
1980-81	\$700,000	\$790,000	\$1,200,000
1984-85	\$630,000	\$700,000	\$2,400,000

In spite of increasing our own aid by 100%, the number of students qualifying for federal and state need-based aid at DePauw has dropped from 50%

to 40%. (The average nationally has been 50%). We now cannot meet the demonstrated need even of those students who do qualify. After the average student has received all the federal, state, and institutional aid available, the "package" is \$1,500 less than the theoretical amount for which the student is eligible.

The situation nationally is similar. Chart #2 from NAICU shows, for example, the decline in the percentage of students receiving Pell grants at independent colleges. This also shows the dramatic increase in GSLs--and DePauw students are no exception.

But where did the increase in DePauw's institutional aid come from? Almost all of the increase has had to come right out of our operating budget--not from increased endowment. And this hurts:

- Faculty salaries at DePauw are high--but only in relation to other private four-year liberal arts colleges. We can't begin to pay what state schools offer. Our younger faculty can't even qualify for a home loan at Greencastle banks.
- Our library, built in the 1950's for \$2.5 million, needs a \$3.5 million renovation.
- Our building for the biological sciences and psychology needs a \$2 million renovation. (We are lucky. New buildings for all the sciences at liberal arts colleges, including equipment, will be costing \$25 million and up.)

Our faculty, our physical plant, and our programs are suffering, primarily because federal (and state) aid for our students has not kept up with inflation, and tuition at state schools has been held down. As far as I can tell, this pattern is repeated at almost all independent schools in the country. No one has been able to increase endowment quickly enough--or will

be able to do so. And I suggest that if DePauw is hurting with its unusual academic and financial strength, most independent schools are much worse off.

Yet nothing is more directly in the national interest than a healthy system of higher education based historically on a mix of state supported and independent colleges and universities. And it should be the best system this country is capable of--not a minimal or even "adequate" system. Our economic well-being depends directly on a populace educated to its maximum, from "K" through graduate school. A modern defense establishment must have well-educated personnel. Even more basic, our very quality of life--our democratic society--assumes a well-educated populace.

The responsibility for assuring a healthy and mixed system of higher education cannot be left to the states. The pressure in every state is to subsidize state schools. This is a political fact of life. The national interest in higher education can only be effectively pursued by a national legislative body--yourselves.

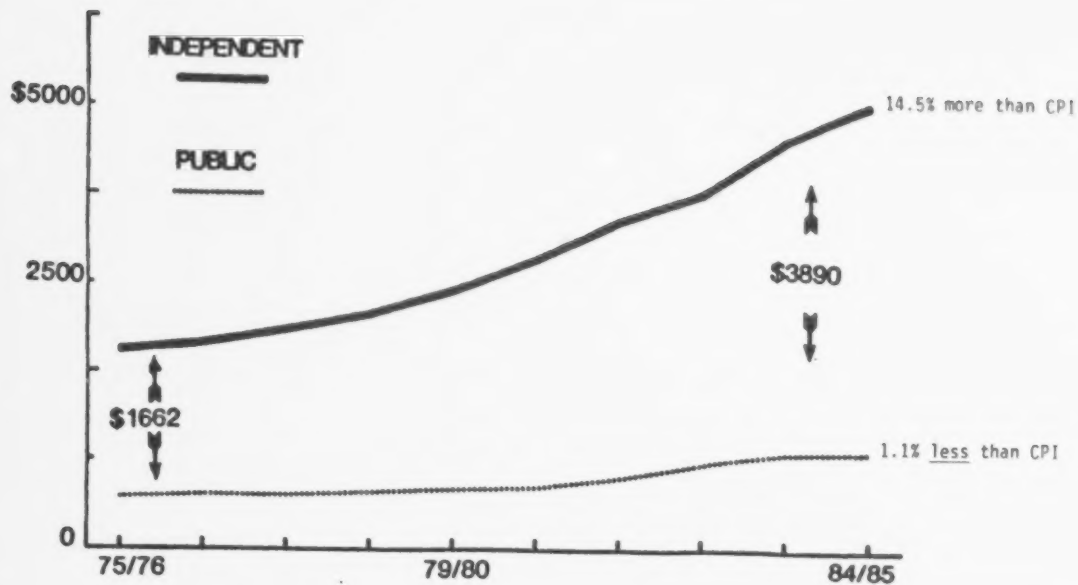
I won't go into the details of what I would recommend except to ask this:

- Please make Pell grants of greater help to the truly needy and more tuition-sensitive to help narrow the tuition gap between what we must charge and what state schools charge after the direct state subsidy for every student regardless of need is applied. I fully support the NAICU proposal (Chart #3) in this regard.
- Please keep the campus-based programs (SEOG, SSIG, Work-Study, and NDSLs). They work, and don't need major change (Also see Chart #3.)
- Please keep the GSLs. Make them based on real need--not on some simplistic parental income figure (Also see Chart #3.)

- Please examine carefully the NAICU proposals for all other aspects of reauthorization. They represent the thoughts of our best people in the field of independent higher education.
- Please fund all programs realistically to take account of inflation.

I thank you for your patience.

CHART #1
AVERAGE TUITION AND FEES

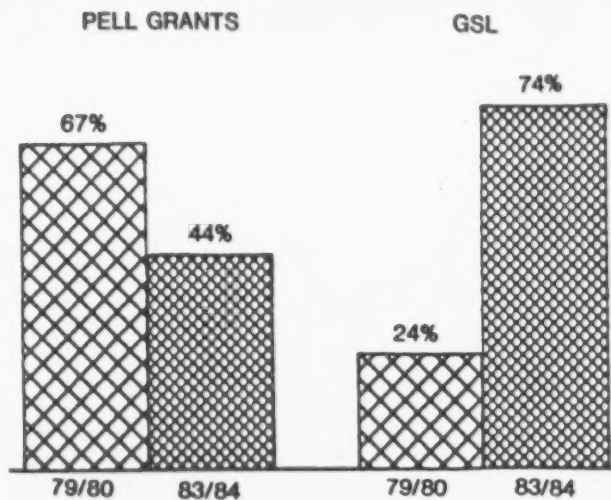


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Chart #1

CHART #2

PELL GRANTS AND
GUARANTEED STUDENT LOANS
INDEPENDENT COLLEGES



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NAICU RECOMMENDATIONS FOR REAUTHORIZATION
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Reauthorize title with emphasis on renovation rather than new construction. Increase funding authorization to reflect the increasingly critical need for assistance in this area. Streamline title by deleting unfunded provisions for loan insurance and interest grants. Delete community college setaside provision so that all types of institutions compete equally on the merits of their applications.

Senator STAFFORD. Thank you very much, Dr. Rosser. That was a very interesting statement and a very good one.

Now, Dr. Danforth, we would be pleased to hear from you.

Dr. DANFORTH. Mr. Chairman, I am William H. Danforth, for the past 14 years chancellor of Washington University in St. Louis. It is an honor to comment on this reauthorization bill, especially before a chairman and a committee who have offered such statesmanlike leadership to higher education and before a chairman who is so perceptive in comparing brothers. [Laughter.]

America has historically placed confidence and hope in education. We have poured energy and treasure into higher education in the belief that a well-educated citizenry will keep democracy successful politically and economically and that access to higher education is an integral part of the American dream of equal opportunity.

We have encouraged a wide diversity of institutions, many kinds of which you have heard from today—2-year colleges, research universities, colleges traditionally organized for liberal arts education and for vocational training, colleges traditionally for blacks, for women, for Catholics, Lutherans, Jews, Baptists, Quakers, and on and on.

Out of this mix has come a remarkable result. These institutions educate over 50 percent of young Americans—two-and-a-half to four times the rate of Western European countries.

Our colleges and universities perform over 50 percent of the Nation's basic research. No other system has produced the amount or quality of research; our top institutions are the envy of the world.

In recent years, we have broadened higher education, encouraging increases in degrees for women and more modest increases in degrees for minorities.

These accomplishments are a direct result of two things: encouragement from public sources, Federal and State, and from our diversity. Those working in our colleges and universities have responsibility for the success of their own institutions and an energizing competitive spirit.

In our State, we have recognized that strength lies in diversity. Colleges and universities, public and private, large and small, work together for what we believe to be the best interests of the people of Missouri.

I support the American Council on Education's efforts to do the same at the national level and that organization's position on undergraduate aid. I believe the basic structure of student aid hammered out over the years should be maintained. It is complex, but diversity requires complexity.

It is wisely aimed at, first, access and, second, the choice necessary to maintain diversity. The balance between Pell grants and campus-based programs is critical to serve the young people and the Nation well. Adjustments to reflect the costs of higher education are, of course, necessary.

Graduate education needs attention. The Nation must have some of its most gifted college graduates head for graduate school and become the next generation of teachers, scholars, scientists, et cetera.

We are not meeting the need. Loans are insufficient for students already in debt who can move immediately to a well-paying job. We have the best graduate programs in the world, and that is shown by some interesting facts.

Fifty-four percent of the doctorates in 1983 in engineering went to foreign nationals, mostly subsidized by their own governments. In mathematics, that figure is 37 percent, and the slope is upward.

The situation is especially tough on minorities. Blacks, for example, receive only 4 percent of the Nation's doctorates. I favor increased support, with awards being made to the best departments on a competitive basis and allowing them to pick the students, with special efforts aimed at increasing minority representation.

I hope you will look sympathetically at title VII. Obsolete facilities are posing serious risks to the Nation's research efforts and education efforts. Title VI, dealing with international affairs, is more important now than ever.

I hope title VII might be improved, and new structures may be necessary to clarify responsibilities. Other titles, including the Graduate Professional Opportunities Program, have been of great help to women and minority participants.

Mr. Chairman, I know you and your committee will treat this landmark piece of legislation sympathetically, strengthen it, and permit its continuation as the centerpiece of American higher education.

Thank you.

[The prepared statement of Dr. Danforth and responses to questions submitted by Senator Hatch follow:]

TESTIMONY
BEFORE
THE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
OF
THE COMMITTEE ON LABOR AND HUMAN RESOURCES
IN
THE UNITED STATES SENATE
CONCERNING
REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965
DELIVERED BY
WILLIAM E. DANFORTH
PRESIDENT
WASHINGTON UNIVERSITY

September 10, 1985

Mr. Chairman and Members of the Subcommittee:

I am William H. Danforth. For the past fourteen years I have been Chancellor of Washington University in St. Louis. I am here to comment on the reauthorization of the Higher Education Act.

We in America have historically placed our confidence and hope in education. We have poured energy and treasure into higher education in the hope that an educated citizen can keep our democracy successful, politically and economically. We have believed that access to education is an integral part of continuing America as the land of opportunity.

Higher education has been encouraged to develop in a wide diversity of ways. We have two year colleges and research universities, liberal arts colleges and vocational training programs, colleges traditionally organized for blacks, for women, for Catholics, for Lutherans, for Jews, for Baptists, for Quakers and so on and on. We have traditional and experimental institutions.

Today these institutions educate over 50 percent of young Americans, 2 1/2 to 4 times the rate of Western European countries. Our colleges and universities perform over 50 percent of the nation's basic research. No other nation has allowed so much diversity. No other system has produced the amount and quality of research. No other country has so many institutions among the recognized world leaders in higher education. The excellence for which American education is noted arises, in my view, directly from the diversity which brings to those operating the nation's colleges and universities a sense of responsibility for the health of their own organizations and a competitive spirit that energizes us all.

We have seen in recent years a broadening of higher education with encouraging increases in numbers of women receiving degrees and modest, but persistent, increases in minority persons receiving these degrees.

In our state, we have recognized that our strength lies in our diversity. The public, private, large and small colleges and universities have been working together attempting to come up with regular recommendations for programs we believe to be in the best interest of the people of Missouri. At the national level, the same type of thing has been going on. There has been general agreement. Unfortunately, our agreements have not yet been total for various sectors have not agreed on a recommendation for the Pell Grant. The American Council on Education has attempted to bring these recommendations together into a compromise. I have supported these efforts and also support the ACE recommendation.

In my view, the federal support has been wisely aimed at two basic aspects -- first, access to higher education and, second, the choice necessary both to maintain the diversity of American higher education and to help each individual fit into the right educational institution. I favor the continuation of this wise approach. I favor the basic structure of the Undergraduate Student Aid Program. The present

framework works well for the students that you are serving. The balance between Pell Grants and campus based programs is important. Adjustments, of course, must be made from time to time. We need to be realistic about changing costs of higher education and the ability of students and their families to meet these costs. We need to be realistic that it does not make sense to set limits and hold to them forever.

I hasten to underscore that many support higher education: families, colleges and universities, federal and state governments, corporations, and foundations. Families continue to provide the largest share of the costs of undergraduate education. The principal role of foundations and corporations will continue to be that of meeting special needs -- for targeted support in particular fields, for example, or for support for special populations of students.

The federal role which the Higher Education Act has epitomized has been to offer national policy which recognizes and supports common themes in all sectors of the diversity in higher education. In student aid, this has meant support of student access to, and a degree of student choice of, undergraduate institutions.

Federal support at the graduate level reflects a specific set of concerns about national needs. Without the continued production of highly trained and talented individuals, the nation will be unable to meet critical problems in health, economic and technical development, and national security.

At the graduate level, therefore, it served the national interest for the federal government to develop policies designed to attract a portion of the nation's most gifted college graduates into graduate programs. Such individuals are needed in colleges and universities, where, as teachers, scholars and scientists, they will produce new knowledge and train new generations of students.

There is mounting evidence that the policies now in place are falling short of accomplishing this national objective. Federal support for graduate education has shifted markedly away from grants to loan support. Increasing numbers of students have acquired substantial indebtedness in financing their undergraduate education; too many of them face the prospect of even greater dependence on loans to finance their graduate education. On my campus and elsewhere, I am hearing a disturbing number of reports of truly talented students -- who after all have the largest number of options available to them -- making postbaccalaureate career choices based on financial considerations rather than intellectual preference.

A very serious, related problem is the underrepresentation of certain minority groups in graduate education. Blacks comprise 12% of the population but receive only 4% of the nation's doctorate degrees. Of the 1000 Ph.D.'s received by Blacks in 1983, 715 were in the fields of education and psychology/social sciences; 32 were in the physical sciences. The patterns of under- and uneven representation by Hispanics and American Indians are equally disturbing.

New grant programs are needed to begin to restore the balance between grants and loans at the graduate level, to target funds on the most talented college graduates, both generally and among underrepresented minorities. At least some portion of such grant funds should be allocated competitively to the most productive graduate departments as traineeships providing support for students recruited by those departments.

The research conducted by colleges and universities provides a source of new knowledge essential for our continued competitiveness as a nation. Although support of research itself is not a function of the Higher Education Act, the committee should keep in mind the indivisible bond in American higher education between graduate education and research and between graduate and undergraduate education. The most serious threat to our academic research capacity today is the growing obsolescence of college and university research facilities.

The problem of obsolete facilities is so vast that its solution will require a sustained, coordinated effort by several federal agencies working with state governments and colleges and universities. Title VII of the Higher Education Act does provide a mechanism for the Department of Education to participate in addressing this critical situation. I hope that the committee will give careful attention to the importance of Title VII in its reauthorization deliberations. In particular, recent suggestions of new options such as loan guarantees should be considered as ways of providing much needed access to loan capital by institutions at relatively low cost to the federal government.

International studies is a topic that spans all of the dimensions discussed above: research, graduate, and undergraduate education. The international dimension of our society has never been more important; the academic world is very much an international community, adding richness and variety to it. Knowledge of the language, customs, and cultures of our friends and adversaries is essential in a world in which international peace remains a distant goal.

Title VI plays an important role in assisting colleges and universities to conduct teaching and research in international subjects. The principal limitation of Title VI has been its modest scope and its uncertain future. Fortunately, other dimensions of international studies and exchange are sustained by other government programs and by bilateral links established directly between academic institutions. But the overall effort remains disjointed and inadequate. In considering the reauthorization of Title VI, this committee should also give some consideration to the possibility of establishing new structures better to carry out the federal government's role in teaching and research in international studies.

The Higher Education Act properly covers a wide variety of programs through 12 titles. Although 90% of the funds appropriated through HEA are appropriated under Title IV, I hope the committee will not lose sight of the importance of preserving the important functions served by the smaller categorical programs.

Mr. Chairman, I hope your committee will review the Higher Education Act with a sympathetic eye toward improving the general structure and approaches of this legislation. The Act is a landmark piece of legislation; its reenactment and strengthening will permit its continuation as a central support of our system of higher education.

Response of Dr. William H. Danforth, Chancellor, Washington University, to written questions on the Higher Education Reauthorization posed by Senator Hatch.

"Please give me your thoughts, as you choose, on any or all of the following problems:

- 1) the proper division of responsibility between student, parents or other family, educational institution, the private sector, and government in financing post-secondary education;
 - 2) the proper balance between loans, grants, and work in financial aid packages in order to ensure a student's maximization of his education;
 - 3) whether or not more resources for financial aid should be channeled to institutions for disbursement through them to students and why; and
 - 4) whether or not, and how, greater concern with a student's educational achievement levels should be made a part of criteria for financial aid."
- 1) As the questions suggest, financing post-secondary education is a cooperative enterprise. The first and most fundamental responsibility belongs with students and their families. The next responsibility belongs to educational institutions and the private sector, to the extent they are able. If family, institutional, and private sector resources are not sufficient to meet student needs, intervention and support by the federal government is proper.

An extensive federal role in financing post-secondary education is indispensable in maintaining a strong and varied array of institutions to serve student needs and thereby to serve the needs and goals of our culture. In this role the federal government should support not only access to any form of post-secondary education but also provide assistance to students with need who believe that their academic and vocational goals can be served best at independent institutions.

- 2) Work is the most essential element. It not only provides assistance but, more important, gives students a sense of worth about themselves and their educational goals. For these reasons the College Work-Study Program should be maintained and strengthened if possible.

Unfortunately, work alone cannot meet the needs of most students because they cannot work more than a relatively modest number of hours each week without creating conflict with their academic responsibilities. Appropriations in the College Work-Study Program are also limited. This leaves grants and loans to meet student needs.

The loan burdens that needy students are now assuming, especially at independent colleges, should be a major concern of the Congress. Without additional grant appropriations, however, it is not realistic to reduce loan burdens, in this period of rising costs, by further limiting the amount that students can borrow. Instead, we believe that student loan obligations can be made more manageable by extending the period of loan repayment through loan consolidation, by making parent loans more available, and perhaps by investigating some of the farther-reaching income-contingent loan plans that have been suggested in the past.

- 3) Institutions are easily the best instrument for disbursement of financial aid, for two reasons. First, when the institution has some leeway in how it distributes federal aid, within explicit federal constraints, it can respond effectively to the ebb and flow of family financial circumstances.

Second, even when institutions have no leeway, they are a better disbursement agent than the Department of Education because they are close to their students and because the administrative flow is cleaner. The present administration of Pell Grants is a classic example of the inefficiency created by excessive and highly centralized administrative control at the federal level. The Congress can exercise all the control it desires by placing administrative responsibility for Pell Grant processing in the hands of institutions and the federally-approved agencies with which they work.

- 4) A student's educational achievement level should indeed be a criterion for federal student aid eligibility. It is an indispensable criterion. The question is how educational achievement should be measured and who should set the standards. The Congress should guard against imposing on institutions standards that are properly the responsibility of the institutions themselves.

A better approach is vigorous enforcement of the satisfactory academic progress rules that are currently in place. These rules require institutions to have explicit and respectable standards, developed by the institutions themselves. Frequent and careful audit, and penalties for those institutions that violate the rules, can be an effective support for educational achievement as a condition for receiving federal student aid.

Senator STAFFORD. Thank you very much, Dr. Danforth, and thank you all. As I said to the earlier panel, your full statements will be in the record where they have been submitted. My colleagues and I may wish to submit some questions in writing, if that is agreeable to you, so we will do that.

I can assure you, as I did earlier, that as long as this committee has anything like its present makeup, we will continue the higher education programs and we will see that they are not diminished. We will try to increase them and make them better in the years ahead, but I want you to understand one of the problems that we face, and you face it too, is that I heard a statement made today from a reliable source that in 1986 one-half of all of the Treasury receipts from personal income taxes in this country will go to service the debt that we will owe by the end of that year, which is why we have had such a struggle to keep these programs in higher education and why it might be so difficult to get much more money for them until we can do something corrective of the debts that are facing us.

Might I ask each of you if you care to comment briefly on this matter? How do you respond to comments made by some that American students are not getting enough educational quality for their dollars, and is there something here the Federal Government can do?

Dr. Horn.

Dr. HORN. If I might, Mr. Chairman, I think, in general, that comment is bunk. The fact is the greatest value-added approach I know in higher education—only matched by the value-added taxes in France or other places—is what American faculties, private and public—but I must say particularly in public community colleges and public State universities where you deal with the broad mass of students that never had an opportunity before—the greatest work is done by college faculties in those four or more undergraduate years in terms of bringing students from where they are when they enter to where they are when they receive the degree.

Now, we have gone through a very tragic period in our country in the 1960's and 1970's when the high schools of America threw out right and left basic, solid courses. I am delighted to say there is a nationwide movement in almost every State—it is certainly true in California—where a core curriculum is coming back.

Senator STAFFORD. Yes.

Dr. HORN. There will be a common understanding of what we mean by high school if one wishes to go to college. That will help relieve college faculties, including Harvard, Berkeley, and Stanford, of remedial English in the opening years.

Senator STAFFORD. Mr. Crawford.

Mr. CRAWFORD. Mr. Chairman, I would agree with Dr. Horn. And, there are two other things I think of in terms of quality—and much of this goes back home to our local responsibility within our own communities and within our own States.

Very simply, if we do not pay our faculty sufficiently, we are not going to have quality education. You can talk about all sorts of things; but if we are not providing faculty with sufficient remuneration, then we are just not going to get the job done because they are the ones out on the firing line for us. That is very basic.

The second thing that I would mention that has been discussed so well by Dr. DiBiaggio and Dr. Danforth has to do with cooperative ventures. It would seem to me that one of the things that you could be urging us to do is a better job of working together within higher education and stretching the public dollar further.

I am convinced that if we can work together in the higher education community, if the universities and the independent colleges and the community colleges come together, work together, find better ways of sharing our resources, we are each going to benefit.

It is that old argument of, synergistically, one plus one will equal three, and I think your committee can provide us some direction with regard to cooperation.

Senator STAFFORD. Thank you.

Dr. Merriam.

Dr. MERRIAM. Senator Stafford, there are two hallmarks, to my way of thinking, of education in the United States of America, and that is the tremendous access that we offer to a wide range of our citizens. I think that is tremendously important.

The second is that we are continually criticizing ourselves and looking at ourselves, and I think to keep the issue of quality foremost in our minds is one of the most important things we can do. We can never let up on that; we can never stop looking at faculty salaries; we can never stop looking at our curriculum.

I certainly concur with President Horn and President Crawford both in terms of the core curriculum—certainly, something that has returned to Wilson—and also in terms of cooperative ventures with business, with industry, with the Federal Government.

The more we can share resources and look at ourselves in a critical light, the stronger we will be and the better quality we will have to offer.

Senator STAFFORD. Thank you, Dr. Merriam.

Dr. Rosser.

Dr. ROSSER. This question of quality clearly has to relate to the whole system from K through graduate school. It is so easy to blame the high schools and the elementary schools, but yet to some extent we were responsible for this at the colleges.

When we relaxed requirements in the 1960's, this permitted high schools, indeed almost forced high schools, to give more choice at the high school level because, after all, if you did not have to take a language to get into college, why should the high school offer it? So to some extent, we are responsible for that.

Now, I think what we have got to do is to get together with the high schools and the elementary schools and we all have to be more specific about what we want in terms of competency in math at every level, in writing at every level, and in foreign languages.

Meanwhile, we are, all of us, the best schools, involved in remedial education. There is no question about it, in mathematics in particular. Our math professors just tear their hair out every year. I do not know whether that is exaggerating or not, but they do not think so in comparison to what they saw 10 to 20 years ago in terms of math education.

I think the second thing that we have to be concerned about—and this is difficult to deal with, and I hope I am not misunderstood, but I think it is very important that we have not only access,

but that we have choice at the level of higher education so that we can let the student find the institution which best fits his or her needs.

I think that, in turn, is going to help improve quality because, obviously, if the fit is better, the student is happier and is going to work harder and the result will be a better education for the individual.

Senator STAFFORD. Thank you, Doctor.

Dr. Danforth.

Dr. DANFORTH. Mr. Chairman, when I asked bright, young St. Louisans why they are going to the University of Vermont, they said, "Because I think I will get a good education." I think you see students moving all around the country seeking excellent education. I think that is a good insurance of excellence.

We will all try our best to be excellent. That does not mean things cannot be improved; they can.

The second part of your question was, does the Federal Government have a role to play. My feeling about that is that the Federal Government's really admirable restraint in trying to tell universities and colleges what to teach, how to teach, whom to teach, has been one of the hallmarks of the American educational scene that I would not want to see changed.

Senator STAFFORD. Thank you, Doctor. I think I would agree with that thoroughly, and I think the committee does, not only at the college level but in terms of what is to be taught, when, where and how in the primary and secondary levels as well.

Well, I thank you all very much indeed. I appreciate the efforts you have made to come here and counsel with us. You have helped us a good deal in undertaking to extend the Higher Education Act.

The subcommittee stands adjourned.

[Whereupon, at 3:38 p.m., the subcommittee was adjourned.]

REAUTHORIZATION OF THE HIGHER EDUCATION ACT, 1985

THURSDAY, SEPTEMBER, 12, 1985

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room SD-430 Dirksen Senate Office Building, Senator Robert T. Stafford, (chairman of the subcommittee) presiding.

Present: Senators Stafford, Thurmond, Nickles, Pell, Grassley, and Dodd.

OPENING STATEMENT OF SENATOR STAFFORD

Senator STAFFORD. The Subcommittee on Education, Arts and Humanities will please come to order. I have been waiting a minute in the hope that Senator Pell might be able to get away from foreign entanglements in the Foreign Relations Committee and join us since the programs we are going to be talking about, one of the major ones is named after him, but I know he is deeply involved in our problems in foreign relations, and I expect that that is where he is, until he can get here a little later on.

On the first day of our hearings we heard an overview of the programs from the most important players, the students and parents. We also heard from college presidents explaining their views on student and institutional needs under all titles of the Higher Education Act.

This morning, we are going to receive testimony on the Pell Grant Program from a variety of witnesses. Established in 1973, the Pell Grant Program has become the second largest student aid program under title IV.

It provides grant assistance to needy undergraduate students, and is considered the foundation of a student aid package. This subcommittee is very lucky to have as its ranking member, Senator Claiborne Pell, for whom the program was named. I would like to welcome our two panels. Once again, may I remind you that your oral testimony, we regret to say, we ask you to limit to 5 minutes, and point out that your full statements, where supplied, will be made a part of the record as if read, so that nothing will be lost to staff and committee members who cannot be here for the testimony this morning.

As you will see, we have a new light system in this committee which omits the caution light. They are simply green for 5 minutes

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and then read. As a sailor, and you who are also sailors, do not mistake that for port and starboard running lights.

The first panel will consist of Dr. E.K. Fretwell, Jr., chancellor, University of North Carolina System and from Charlotte, NC; Dr. Stephen Trachtenberg, president, the University of Hartford in West Hartford, CT; and Dr. John Toll, president of the University of Maryland, Adelphi, MD.

Gentlemen, if it is agreeable with you, we will go in the order in which I called your names, so, Dr. Fretwell, you would be the lead-off witness.

STATEMENT OF DR. E.K. FRETWELL, JR., CHANCELLOR, UNIVERSITY OF NORTH CAROLINA SYSTEM, CHARLOTTE, NC; DR. STEPHEN TRACHTENBERG, PRESIDENT, UNIVERSITY OF HARTFORD, WEST HARTFORD, CT; DR. JOHN TOLL, PRESIDENT, UNIVERSITY OF MARYLAND, ADELPHI, MD

Dr. FRETWELL. Thank you, Mr. Chairman. I am E.K. Fretwell, Jr., chancellor of the University of North Carolina at Charlotte, 1 of the 16 constituent units of the University of North Carolina system.

It is a privilege to appear before this distinguished committee hearing today to speak on a topic of importance to all citizens, be they corporate presidents or shy freshmen, as well as to 3,300 degree-granting colleges and universities.

Achievement of the twin goals of excellence and opportunity well deserves to be a top national priority. Today, public recognition of the importance of higher education is not merely holding its own, it is growing.

Reported in "The Chronicle of Higher Education" for September 3, is the result of a national Gallup survey.

In 1978, some 36 percent of the public believed that a college education is, in quotes, "very important." This year, 1985, that percentage has risen to 64 percent. The need for a continuing flow of well-informed citizens of all ages with skills related to international understanding and marketing, national defense, the learned and technical professions including teaching, committed citizenship, along with a desire for wholesome self-fulfillment, is very great indeed.

These points are well known to this well-informed subcommittee but are worthy of reiterating.

As Tennyson's poem "Ulysses" reminded us long ago: "Though much is taken; much abides." The rising tide of reports now regarding higher education suggests that curricular improvements are needed toward deeper and broader understanding of the arts and sciences, as well as to involve students more actively in their own learning.

There is also growing concern over the underrepresentation in both undergraduate and professional studies by black Americans and other minorities. While I work at only one of the 3,300 higher institutions, I detect strong commitment in many places to addressing both the excellence and opportunity issues, often with commendable support from K-12 school systems and from business and industry.

In this content, Mr. Chairman, it is urgent and essential that this subcommittee support reauthorization of the Higher Education Act. I speak today specifically on behalf of the Pell Grant Program. May I use my campus, the University of North Carolina at Charlotte, as an institution representative of many other public urban institutions serving a wide range of serious students, some of whom find us their best, and sometimes only, opportunity for personal and career advancement. Not incidentally, about 26 percent of our students—that is a little better than 1 out of 4—are the first in their family to attend college.

And I would point out something that is not in my testimony, that a recent survey indicates that even though there have been employment improvements and movements in the high tech direction, that over 17 percent of the population in our State are, by definition, below the poverty level. There are some improvements here, but one of the ways out of poverty for all people, perhaps particularly for minorities, is through higher education and what goes with it.

Each year out of our campus enrollment of more than 10,000 students, about 1,400 receive assistance through the Pell Grant Program. The average award is about \$1,100. With an average family income of \$12,000, there is little doubt that most if not all of these students would not be able to continue their education without Pell assistance. Nationally, three-fourths of the Pell grant recipients are reported to have family incomes of \$15,000 or less. Nationally, this program provides somewhere around \$3.3 billion to 2.8 million needy students each year. It should definitely be maintained and strengthened as one of this country's primary means of providing educational opportunities.

There are particular reasons here to focus for the moment on changes going on in the demography of higher education such as, but not limited to, a higher percentage of enrollment of minorities in school systems soon to be graduating, and we hope coming to us.

A higher percentage of so-called nontraditional students, including women and others, who are changing careers, and I think as many people in this room know, the future of higher education will be more and more not just a 2-year or 4-year package, and that is it, but rather, a recurring pattern of going back to higher education.

I see the red light. I have more material which I will enter into the record. I thank you for this opportunity to be present and to testify.

[The prepared statement of Dr. Fretwell follows:]

TESTIMONY BEFORE THE SENATE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES

Chancellor E. K. Fretwell Jr.
 The University of North Carolina at Charlotte
 September 12, 1985
 Dirksen Senate Office Building, Washington, DC

Mr. Chairman and members of the Subcommittee, I am E. K. Fretwell Jr., Chancellor of The University of North Carolina at Charlotte, one of the 16 constituent units of The University of North Carolina system. It is a privilege to appear before this distinguished committee today to speak on a topic of importance to all citizens, be they corporate presidents or shy freshmen, as well as to 3300 degree-granting colleges and universities.

Achievement of the twin goals of excellence and opportunity well deserves to be a top national priority. Today public recognition of the importance of higher education is not merely holding its own; it is growing! Reported in The Chronicle of Higher Education (September 3, 1985) is the result of a national Gallup survey. In 1978 some 36% of the public believed that a college education is "very important." This year--1985--the percentage has risen to 64%. The need for a continuing flow of well-informed citizens of all ages with skills related to international understanding and marketing, national defense, the learned and technical professions including teaching, committed citizenship, along with a desire for wholesome self-fulfillment, is very great indeed.

These points are well known to this well-informed Subcommittee but are worthy of reiterating.

As Tennyson's poem Ulysses reminded us long ago: "Though much is taken; much abides." The rising tide of reports now regarding higher education suggests that curricular improvements are needed toward deeper and broader understanding

of the arts and sciences, as well as to involve students more actively in their own learning. There is also growing concern over underrepresentation in both undergraduate and professional studies by black Americans and other minorities. While I work at only one of the 3300 higher institutions, I detect strong commitment in many places to addressing both the excellence and opportunity issues, often with commendable support from K-12 school systems and from business and industry.

In this context it is urgent and essential that this Subcommittee support reauthorization of the Higher Education Act. I speak today specifically on behalf of the Pell Grant Program. May I use my campus, The University of North Carolina at Charlotte, as an institution representative of many other public urban institutions serving a wide range of serious students, some of whom find us their best (and sometimes only) opportunity for personal and career advancement. (Not incidentally, about 26% of our students are the first in their family to attend college.)

Each year out of our more than 10,000 enrollment about 1400 students receive assistance through the Pell Grant Program, with an average award of \$1100. With an average family income of \$12,000, there is little doubt that most, if not all, of these students would not be able to continue their education without Pell Grant assistance. (Nationally three fourths of the Pell Grant recipients are reported to have family incomes of \$15,000 or less.) Nationally, this program provides about \$3.3 billion to 2.8 million needy students each year. It should be maintained and strengthened as one of this country's primary means of providing educational opportunities.

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Operation of the program in terms of need determination could be streamlined. Suggestions on this appear later in my testimony.

Regarding the nature of awards, I recommend seven improvements, consistent both with the original intent of the Pell program and with avoidance of overuse of loans:

1. Provide annual increases in the maximum Pell Grant of \$200 each academic year, beginning from the point where the 1980 Higher Education Amendments left off.
2. Provide increases in Pell living allowances for all students of \$100 each academic year.
3. Place a statutory limit of 70 percent on the amount of college costs covered by a Pell Grant.
4. Provide a single needs-analysis system for federal student aid dollars.
5. Provide ways to improve the federal student aid delivery system.
6. Make part-time students eligible for federal student aid programs.
7. Authorize the loan forgiveness, on a year-by-year basis, of student financial aid granted at the graduate level for those American Indian, black, Hispanic and women students who have completed their terminal professional degree and serve on the faculty of an accredited American university.

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As the reauthorization process continues, discussion about the percentage-of-cost issue is vitally important. This relates to the basic intent of the legislation which established the program in 1972. Since its beginning the purpose of the program has been to assist in making available the benefits of postsecondary education to qualified students in institutions of higher education. What is best for students should be the central focus of discussion, not solely what is best for institutions. Any proposal concerning the determination of award amounts should assure that funds are available to provide access for all needy and deserving students who wish to continue their education beyond high school.

Streamlining of the delivery system of Pell Grants is timely. Currently, a student must apply for the grant through the Pell Grant central processor, with notification of eligibility normally requiring four to six weeks. Changes or corrections to the family's situation must also be submitted through the central processor before the school can make adjustments to the student's Pell Grant award. This contrasts significantly with the other federal student aid programs in which schools can make initial award determinations and adjustments when necessary.

In providing information to colleges and universities about a student's eligibility for other financial assistance, the private need analysis service also calculates the student's eligibility for the Pell Grant, which schools may use to determine a preliminary Pell Grant amount. Therefore, the work of the Pell central processor in most cases duplicates what has already been determined in a more timely fashion by the private sector. It has been estimated that the federal government spends about \$15 million annually for this centralized process.

It is apparent that the centralized Pell Grant processing system has become expensive, cumbersome, duplicative, excessively lengthy, and frustrating for students and parents. For cost effectiveness, more timely delivery of funds,

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and reduced program complexity, the administration of the program should be decentralized. Institutions should be given the option of calculating each student's eligibility for the Pell Grant and paying the student based on that calculation. The accuracy of these procedures would be subject to the normal audits and program reviews of the federal student aid programs. Further, for institutions not wishing to take on this responsibility, the Pell Grant central processing function could be maintained.

Another issue which should be addressed during reauthorization is the verification of information provided by families applying for the Pell Grant. While we in higher education properly are concerned that all data used in need determination be complete and accurate, I am advised that present regulations of the Department of Education are often cumbersome, timetaking, and may even work to the disadvantage of honest applicants. My colleagues in campus financial aid offices, as well as the National Association of Students Financial Aid Administrators, will be glad to provide details. The system should verify that the basic information is accurate, yet recognize the integrity of the vast majority of the American public.

* * * * *

The federal government has maintained a long history of support to students in higher education. The Pell Grant program has become the most important aspect of this support by providing access to colleges and universities to millions of Americans. With simplification of its delivery system, continued emphasis on assisting needy students, and enhanced funding in keeping with the seven points enumerated, the program can provide even greater benefits to this country.

Again, I appreciate the opportunity of sharing this information with you and look forward to further discussions on this topic.

Senator STAFFORD. Well, thank you very much, Dr. Fretwell for appearing, and as I said, your full statement will be in the record as if read, and the attached material will also be a part of the record.

Dr. FRETWELL. Thank you, Mr. Chairman.

Senator STAFFORD. Dr. Trachtenberg, we will be glad to hear from you.

Dr. TRACHTENBERG. Thank you, Mr. Chairman, and members of the Subcommittee on Education, Arts and the Humanities, my name is Stephen Trachtenberg.

I am here today to present the views of the National Association of Independent Colleges and Universities on several policy issues you are considering for the Pell Grant Program.

But I am also here representing myself, the president of the University of Hartford, an independent, hard-working, entrepreneurial institution with eight schools and colleges that serves most of the Northeast, that enrolls students from States such as North Carolina and Maryland as well, and it brings more and more students to its campus from other nations of the world.

When NAICU asked me to use this opportunity today to act as a spokesperson for independent colleges and universities throughout the United States, I quickly agreed, and did so because I can see each day, the kinds of pressures that are being experienced by students today who are seeking an education at an independent school, especially those from families that cannot be defined as rich, affluent, or privileged.

These are students seeking a type of education that is very specifically American. They choose an independent school like the University of Hartford because they feel that they will benefit from its hard-driving, ambitious, entrepreneurial tone. They sense that as graduates of a university that has to work hard to balance its books and remain competitive, they, too, will gain a competitive edge in today's difficult international economy.

Having listened to the University of Hartford's students, having agonized with them as they struggle with their families to raise the money needed for tuition and board, I was very personally concerned and involved when the NAICU met last February, here in Washington, and adopted a policy platform statement for the 99th Congress, including our recommendations for reauthorization of the Higher Education Act. I have attached to my testimony the entire statement, together with a summary of our specific Higher Education Act recommendations.

But before I discuss our recommendations and our reasons for making them, let me give you some background on NAICU and provide you with a snapshot view of the student financial assistance as it existed on our campuses during 1983-84, the last year for which complete data is available. NAICU is an organization of 850 independent not-for-profit colleges and universities, and State and regional, or other special purpose organizations based in Washington, that provide a unified national voice for independent higher education.

In 1984-85, independent institutions enrolled 2.6 million students, approximately 21 percent of all the students enrolled in higher educational institutions, and the average price of education,

the amount actually charged to students at registration, was \$9,022, including an average tuition and fee charge of \$5,016.

What we charge our students is a more accurate reflection of the actual cost of the education offered them than is the case in other types of higher education, because our institutions do not receive the direct operating subsidies provided by State taxpayers to reduce the tuition charged to public-sector students.

Less than one-fifth of revenues for independent colleges and universities comes from governmental—Federal, State, or local funds—while income from tuition, fees, and services, such as bookstores and campus housing, extended to students contributes more than 63 cents of every dollar of operating revenue at our institutions. From that operating revenue, our colleges and universities provided almost \$2 billion in 1983-84 directly to their students in the form of institutional student financial aid.

My small institution alone, the University of Hartford, is providing \$5.8 million in financial aid in 1985-86 from its own resources.

The Pell grants about which we are going to talk—I am out of time.

Senator STAFFORD. I think we could allow 1 minute to summarize, if you would like, Doctor.

Dr. TRACHTENBERG. On my campus, amounted to over \$600,000 awarded to over 500 students with average awards of \$1,187. The typical Pell grant recipient at the University of Hartford, Mr. Chairman, comes from a family of between five and seven people with an income range between \$11,000 and \$15,000, with at least two members of the family in college at the same time and a savings account which shows a balance of between \$0 and \$2,500.

And this is a family that either rents at a low cost, or owns a home valued between \$25,000 and \$40,000. I think you will appreciate how important the Pell grants are to institutions like mine. Thank you.

[The prepared statement of Dr. Trachtenberg follows:]



Testimony of

STEPHEN J. TRACHTENBERG
PRESIDENT
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before the
Subcommittee on Education, Arts, and the Humanities
Committee on Labor and Human Resources
United States Senate

September 12, 1985

on behalf of the

National Association of Independent Colleges and Universities
and the
Association of Jesuit Colleges and Universities
Association of Presbyterian Colleges and Universities
Council of Independent Colleges
National Association of Schools and Colleges of the United Methodist Church

Mr. Chairman and members of the Subcommittee on Education, Arts, and the Humanities, my name is Stephen Trachtenberg.

I am here today to present the views of the National Association of Independent Colleges and Universities on several policy issues you are considering for the Pell Grant program.

But I am also here representing myself, the President of the University of Hartford, an independent, hard-working, entrepreneurial institution with eight schools and colleges that serves much of the Northeast, that enrolls students from other states as well, and that brings more and more students to its campus from other nations of the world.

When NAICU asked me to use this opportunity today to act as a spokesperson for independent colleges and universities throughout the United States, I quickly agreed -- and did so because I can see each day of the year the kinds of pressure that are being experienced by students today who are seeking an education at an independent school, especially those from families that cannot be defined as rich, affluent, or privileged.

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These are students seeking a type of education that is very specifically American. They choose an independent school like the University of Hartford because they feel that they will benefit from its hard-driving, ambitious, entrepreneurial tone. They sense that as graduates of a university that has to work hard to balance its books and remain competitive, they too will gain a competitive edge in today's difficult international economy.

Having listened to the University's students ... having agonized with them as they struggle, with their families, to raise the money needed for tuition and board ... I was very personally concerned and involved when the NAICU membership met in February of this year, here in Washington, and adopted a Policy Platform Statement for the 99th Congress, including our recommendations for reauthorization of the Higher Education Act. I have attached to my testimony the entire statement, together with a summary of our Higher Education Act recommendations.

But before I discuss our recommendations and our reasons for making them, let me give you some background on NAICU, and provide you with a snapshot view of student financial assistance as it existed on our campuses during 1983-84, the last year for which complete data are available.

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NAICU is an organization of 850 independent, nonprofit colleges and universities, and state, regional, or other special-purpose organizations, based here in Washington, D.C. to provide a unified national voice for independent higher education. In 1984-85, independent institutions enrolled 2.6 million students (approximately 21 percent of all students enrolled in higher educational institutions), and the average price of education -- the amount actually charged to students at registration -- was \$9,022, including an average tuition and fee charge of \$5,016.

What we charge our students is a more accurate reflection of the actual cost of the education offered than is the case in other types of higher education because our institutions do not receive the direct operating subsidies provided by state taxpayers to reduce the tuition charged to public-sector students. Less than one-fifth of revenues for independent colleges and universities comes from governmental -- federal, state, or local -- funds, while income from tuition, fees, and services (bookstores, campus housing, etc.) extended to students contributes more than 63 cents of every dollar of operating revenue at our institutions.

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From that operating revenue, our colleges and universities provided almost \$2 billion in 1983-84 directly to their students in the form of institutional student financial aid! My institution alone -- the University of Hartford -- is providing \$5.8 million in financial aid in 1985-86 from its own resources!

Mr. Chairman, I would also note a fact that relates to the quality of our enterprise: although we enroll only 21 percent of all college students, we award 33 percent of all bachelor's degrees, 39 percent of all master's degrees, 37 percent of doctoral degrees, and 59 percent of all first professional degrees.

Our research arm, the National Institute of Independent Colleges and Universities, conducted its fourth annual student aid survey for academic year 1983-84 of 5,416 actual student records using a stratified random sample of all independent institutions. NIICU found that, at independent colleges and universities --

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- o 1.4 million students (nearly two-thirds of all students in the independent sector) received some form of student aid from the federal government, their state government, their institution, or another private source.
- o 1.2 million students (eighty-four percent of all students who receive some form of student aid) received federal student aid. That means that federal student aid goes to almost half of all students attending independent colleges and universities.
- o Recipients of federal aid and their parents contributed an average of \$5,705, or nearly two-thirds of the total price of education. That represents an increase from an average of \$3,313, or 53 percent of the total price in academic year 1979-80.
- o Average family income of recipients of federal student aid was \$22,100, and excluding those recipients who are eligible only for a GSL, the average family income was \$17,600.
- o More than 80 percent of our recipients were between the ages of 18 to 24. Ninety-six percent of our dependent federal aid recipients attended for the full academic year, and sixty-one percent lived on our campuses.

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All of the above facts demonstrate how important the federal student aid programs are in providing access for needy students to independent colleges and universities. But, what we found in terms of the type of assistance they received was most disturbing, especially when compared to our earlier surveys. We found that --

o For Pell Grants, the participation rate of our needy recipients declined from the high water mark of 66 percent in 1979-80 to 39 percent in 1983-84, and average Pell Grant awards increased only slightly from \$974 in 1979 to \$1,164 in 1983.

o For Supplemental Educational Opportunity Grants (SEOG), the other major federal need-based grant program, the percentage of recipients/average award declined from 31 percent/\$694 in 1979-80 to 20 percent/\$650 by 1983-84 academic year.

National Direct Student Loans (NDSL) declined dramatically, and College Work Study (CWS) opportunities declined slightly over the same period. State Student Incentive Grants (SSIG) also showed a dramatic decline in funding at the federal level.

How then are needy students continuing to gain access to independent colleges and universities? One part of the answer lies in the fact that the colleges and universities themselves are using their operating revenues to increase their own institutional

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student aid -- to almost \$2 billion in 1983-84. The second part of the answer is equally troubling -- more needy students in independent colleges and universities are finding themselves increasingly dependent on larger Guaranteed Student Loans to help finance their educations.

In the four-year period from fall 1979 to fall 1983, the percentage of dependent recipients borrowing a Guaranteed Student Loan had increased dramatically -- from 15 percent to 57 percent, with the average loan also increasing from \$1,787 to \$2,249. More distressing was the fact that the lowest-income students (family adjusted gross income of \$6,000 or less) were as heavily dependent on GSL to meet their educational costs, with 57 percent from this lowest-income category borrowing an average of \$2,259, as compared with 15 percent in 1979 borrowing an average of \$1,400.

When confronted with that factual background of diminished availability of grant assistance and greater reliance on loans for students attending or aspiring to attend independent colleges and universities, the presidents of independent colleges and universities who comprise our membership searched for and adopted recommendations for reauthorization of the Higher Education Act that would help to redress this imbalance between grant and loan support for needy students in general, and for the lowest-income students in particular.

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That is why we developed a proposal to restructure the Pell Grant program to target the support on low-income students and insert price sensitivity into the basic structure of the program. That is why we recommended a revamped SEOG program that targets funding on students with the greatest need for funds, and ties appropriations for the two major federal grant programs more closely together. And that is why we proposed that the GSL program be restructured to limit loans to need, with slightly increased maximum loan amounts for established students, with opportunities for students to consolidate their loans when they enter repayment under income-related payment schemes, and with loan amounts not reduced by arbitrary origination charges.

Let me now turn to the specifics of our recommendations for the Pell Grant program that is the subject of today's hearing.

Mr. Chairman, the Pell Grant program has been a major factor in helping needy students gain access to independent colleges and universities since its creation in 1972. The Basic Educational Opportunity Grants program, as it was called then, was designed to serve as a foundation federal program onto which all other aid was to be added. It was instituted as the primary piece of a new federal strategy of focusing federal support on students rather than institutions, and was built upon the commitment made by Congress in the Higher Education Act of 1965 to equalize higher

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educational opportunity. In the first year of the program (1973-74), almost 50,000 independent sector students received \$13.1 million in Basic Grants. By comparison, in 1983-84, more than half a million of our students received Pell Grants, amounting to \$675 million.

But the hidden fact behind that seemingly large increase is the massive decline in our students' participation rates cited on page six, and the similar decline in Pell Grant purchasing power. For example, in 1979, when this subcommittee last considered legislation to reauthorize the Higher Education Act, the average price of a small, private liberal arts college was \$5,400, and the lowest-income student could receive \$1,800, or one-third of his total cost, through the Pell Grant program. This past academic year, the average price of the same institution was \$9,400, and the maximum Pell Grant was \$1,900, or less than one-fifth of the average student expense. Over that same period of time, both the percentage of total Pell Grant funds and the actual dollar amount of Pell Grant funds that students brought to independent colleges and universities declined from 30.1 percent or \$709 million in 1979 to 24.3 percent or \$675 million in 1983-84.

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Mr. Chairman, we remain committed to the original goal of the Higher Education Act of 1965 of equalizing higher educational opportunity for all needy students to allow access to all types of higher education. And we remain committed to the strategy established in the original basic or Pell Grant legislation of providing a foundation grant upon which the remainder of student aid would be added. That equal opportunity goal and the foundation Pell Grant strategy have been refined and strengthened through the subsequent reauthorizations.

But, we have found that both the goal and the strategy may not be working as planned. Witness after witness in hearings held this year before the House Postsecondary Education Subcommittee have testified that student debt burden is a significant, and growing, problem; that low-income students are being forced into taking out large loans, with resultant defaults; and that grant and loan assistance is seriously out of balance. They stated that Hispanic students are both underrepresented in higher education and underserved by the student aid system. They testified that growing numbers of Black students are being forced into community colleges and proprietary institutions and are not moving on to pursue bachelor's or graduate degrees. And they revealed the fact that low- and middle-income students aspiring to higher education, despite their heavy debt burden, are still left short of fulfilling their goals.

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The clear fact is that the "foundation" promised by Pell Grants has shifted. But for the "shoring up" provided by independent institutions -- almost \$2 billion in institutional student aid provided directly by our colleges -- we would already be experiencing a shift back to an economically-segregated, stratified, higher educational system where only the wealthy could afford independent higher education.

NAICU Proposal

We therefore urge you to restructure the Pell Grant program to assure access for all eligible students to all types of higher education. We believe the problem is too deep and too serious to be addressed by simply patching up. Increasing one or two or three individual parts of the current award formula would be an insufficient response to the problem.

Our proposal is offered as a compromise proposal that would (1) insert price sensitivity for low- and middle-income students desiring to attend higher-tuition colleges and universities; (2) assure living expense allowances for the lowest-income students (up to 150 percent of the poverty level) who pursue their education at lower-priced institutions and are more dependent on living expense support; and (3) keep the total cost of the program

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within the realm of reasonable appropriations growth for FY 1988, the first year of funding under the new legislation.

It would provide a solid Pell Grant foundation upon which to build the other federal, state, institutional, and private student aid programs by basing the award on a two-part calculation: (1) half of instructional expenses (tuition, mandatory fees, and books) for all eligible low- and middle-income students (up to a maximum of \$2,100), plus (2) a substantial allowance (up to the same maximum of \$2,100) for all low-income students to help them meet their living expenses in all types of colleges and universities. This mechanism would award substantial grant dollars to low-income students for their living expenses and for up to half of their instructional expenses, and it would also allow middle-income student participation for up to half of the "price" charged to them.

As compared with the current program, our proposal would increase substantially both the percentage and the amount of Pell Grant dollars going to persons from families with incomes of \$15,000 or less.

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Our proposal assumes that discretionary incomes of all types of students, dependent and independent, would be taxed at the same rates. We also propose to set a standard living allowance for all recipients, whether they live on or off campus. Currently, students living in campus dormitories include the actual room and board charges (expected to average \$2,800 this fall) in their award calculations, while the student living off campus (but not at home) receives an allowance of \$1,600. We believe a standard allowance for living expenses would remedy this inequity, so long as the same allowance were used for instructional expenses. Because their living expenses are small, students living with their parents would continue, under our proposal, to receive the \$1,100 allowance for living expenses, as under current law.

Our goal is to provide the lowest-income students with a substantial Pell Grant, and to provide the needy student with a family AGI of \$30,000 to receive the minimum award of \$200. We propose to set the maximum for both the instructional and living allowances at the same level (\$2,100) and to allow both to advance at the same pace through the period of reauthorization.

It is important to note that relatively little change would occur in the distribution of Pell Grants that students would bring to public or independent colleges and universities. And, the proposal would effectively remove the stress and strain that have

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divided the higher education community over the "half-cost" issue, and caused consternation in the Congress as to the impact on higher education competition of increases or reductions in appropriations, or technical changes to the law. You would be able to tell exactly how federal Pell Grant dollars help students afford higher education.

Mr. Chairman, let me take just a moment to put that issue in context. In creating the Pell Grant program in 1972, Congress imposed a legislative restriction that limited Pell Grants to one-half of a student's cost-of-education. That restriction has become a continuing source of controversy through subsequent reauthorizations in 1976, 1978, and 1980. The "half-cost" restriction was designed to assure that no student could meet his total cost from this single program. No award was to exceed 50 percent of the cost-of-education or the statutory maximum, whichever was lower. (Cost of education was defined as tuition and fees, room and board, and a standard allowance for books and supplies. For students living off campus, a standard allowance was set by regulation to cover room, board, transportation, and other living-related expenses.)

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This "half-cost" restriction was enacted first to ensure that all students would continue to be expected to pay for a portion of the cost of going to college, but also to ensure that political support for other programs would not erode because needy students would have most or all of their expenses met by a basic grant.

The result of the limitation was that low- and middle-income students tended to use their awards to meet their living expenses at institutions where tuitions are low; while for students at higher-priced colleges and universities the living expenses became almost an irrelevancy because their Pell Grant eligibility quickly was consumed by tuition and related charges. Thus, lower-priced institutions have advocated increases or outright removal of the "half-cost" limitation and the living allowance limitation used to compute Pell Grants, while higher-priced institutions have urged retaining the limitation while increasing the maximum award.

The 1976 and 1978 amendments to the Higher Education Act retained the "half-cost" restriction. In the Education Amendments of 1980, however, a change was authorized in the limitation. That legislation allowed the percentage of cost limitation to increase in a staged manner, but only as a result of increases in the maximum Pell Grant award and three other need-based student aid programs -- Supplemental Educational Opportunity Grants, College

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Work Study, and National Direct Student Loans -- known as the campus-based programs.

Unfortunately, planned increases in the appropriations for the campus-based programs have not gone up as intended. But, the Pell Grant maximum award has increased by just over ten percent, the "half-cost" limitation has increased to 60 percent of cost, and the allowance for living expenses for students living off-campus has increased by twenty-five percent. Couple all of that together, and it is not difficult to see why the Pell Grant losses are so severe for students attending independent colleges and universities.

We believe we have developed a viable proposal to re-establish the foundation concept to the Pell Grant program and make equal higher educational opportunity a reality.

- o It focuses limited grant dollars where they belong -- on those with the least;
- o It targets federal grants aid in a cost-effective manner, both from the point of view of the federal budget and from the point of view of the student;

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- o It does not shift funds among different types of higher educational institutions;
- o It makes sense from the point of view of national public policy -- the Congress, through its major student grant program, Pell Grants, will be able to provide all needy students up to one-half of their instructional expenses, and provide additional assistance to help the lowest-income students pay their college-related living expenses.

I thank you for allowing me the opportunity to present these remarks, and look forward to any questions you may have.

TRENDS IN PELL GRANT FUNDING
AY 1979-80 to AY 1983-84
(in millions)

	AY 1979-80		AY 1980-81		AY 1981-82		AY 1982-83		AY 1983-84	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
PUBLIC	\$ 1,421	80.7%	\$ 1,425	99.7%	\$ 1,367	59.4%	\$ 1,376	56.0%	\$ 1,573	54.0%
Two-Year	411	17.4	445	18.6	431	18.7	438	18.1	520	18.7
Four-Year	1,010	42.6	981	41.1	936	40.7	938	38.7	1,053	37.9
INDEPENDENT	\$ 709	30.1%	\$ 687	28.0%	\$ 625	27.2%	\$ 644	26.0%	\$ 675	24.3%
PROPRIETARY	\$ 229	9.7%	\$ 276	11.0%	\$ 311	13.5%	\$ 404	16.7%	\$ 535	19.2%
TOTAL	\$ 2,358	100.0%	\$ 2,387	100.0%	\$ 2,302	100.0%	\$ 2,425	100.0	\$ 2,425	100.0%

SOURCE: U.S. Department of Education, Office of Student Financial Assistance from Institutional Agreement and Authorization Reports.


DATA SERVICES



NAICU RECOMMENDATIONS FOR REAUTHORIZATION
OF THE HIGHER EDUCATION ACT

TITLE IV - STUDENT ASSISTANCE

Student Grant Programs - Continue the existing federal policy goal that every eligible student shall receive aid under the Pell Grants, SEOG, and SSIG programs that, in combination with reasonable parental and student contributions, will be sufficient to meet 75 percent of a student's cost of attendance.

Pell Grants - Restructure Pell Grants in order to resolve the long-standing conflict among sectors of higher education over percentage-of-cost limitation/maximum award/funding triggers for other programs by instituting a new Pell Grant formula. The formula would target the program on low-income students and insert price sensitivity into the basic structure of the Pell Grant program, basing eligibility on a two-part formula: (1) half of tuition, mandatory fee, and book expenses for all eligible low- and middle-income students, up to a maximum of \$2,100, plus (2) a substantial allowance to cover living expenses for all low-income students, up to a maximum of \$2,100. This mechanism would award substantial grant dollars to low-income students for their living expenses plus half of their tuition expenses in order to assure their access to all types of higher educational opportunities, but would limit the participation of middle-income students to just half the "price" charged to them.

The proposal assumes the same taxation rates on discretionary income for dependent and independent students in order to provide substantial grants to low-income students and a \$200 minimum award to a student from a typical family of four with one in college and an adjusted family income of \$30,000.

Supplemental Educational Opportunity Grants - Reauthorize the SEOG program with a funding authorization of no less than 15 percent of the appropriation for Pell Grants. Target SEOG funding on students with greatest need for funds (defined as those students whose expected family contribution is less than one-half of their total cost-of-education). Maintain institutional "hold harmless" level at amount institution used in academic year 1985-86 (FY 1985 appropriation). Allocate all new funding above the FY 1985 level only to those institutions whose institutional "Fair Share" exceeds their institutional "Conditional Guarantee". Reestablish institutional matching requirement in program, with matching funds to come from non-federal sources. Drop use of institutionally-provided need-based student grants and awards from formula used to determine institutional need for SEOG.

State Student Incentive Grants - Reauthorize the program and allow states to use up to 50 percent of new allocations, above FY 1985 level, to establish or sustain a 50/50 federal/state matching work-study program.

College Work-Study - Reauthorize the program without changing the language that limits CWS to non-profit institutions, without changing the existing reallocation procedures, and without consolidating the program with Cooperative Education. Allocate new funding above the FY 1985 level as in SEOG (see above).

National Direct Student Loans - Reauthorize the program and rename the program for its principal advocate, the late chairman of the House Education and Labor Committee, Representative Carl D. Perkins.

Guaranteed Student Loans - Reauthorize the program increasing the annual loan limits for those undergraduates who have completed their first two years of study toward a bachelor's degree and for graduate students to \$5,000 and \$8,000, respectively. Aggregate limits are increased to \$20,000 for undergraduates and an additional \$25,000 for graduate students. Limit all loans to need remaining after all federal grant, work, and loan benefits, together with all expected parental/student contributions are taken into account. Provide for borrower-requested consolidation of student loans. Repeal the origination fee. Provide for a federally-guaranteed, but not federally-subsidized, "loan of last resort."

PLUS Loans - Reauthorize the PLUS loan program making it more attractive to lenders, and therefore a more viable program for borrowers, by allowing consolidation or refinancing of loans, and by allowing secondary markets to adjust payment schedules with the borrower.

Master Calendar - Establish a master calendar for the delivery of student aid in order that the student aid system may function smoothly.

Verification - Require verification documentation to be submitted on all federal student aid applications.

TITLE III - INSTITUTIONAL AID

Reauthorize program with three separate parts: Grants to strengthening institutions, grants to Historically Black colleges and universities, and Endowment grants. Alter eligibility criteria to include a wider body of institutions. Expand permissible uses of grant dollars to include recruitment activities and training of administrative staff. Make Cooperative Arrangements a high priority funding area with more lenient restrictions on participation.

TITLE VII - CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

Reauthorize title with emphasis on renovation rather than new construction. Increase funding authorization to reflect the increasingly critical need for assistance in this area. Streamline title by deleting unfunded provisions for loan insurance and interest grants. Delete community college setaside provision so that all types of institutions compete equally on the merits of their applications.



National Association
of Independent
Colleges and Universities

NAICU

POLICY PLATFORM STATEMENT

FOR THE 99TH CONGRESS

**Adopted by the NAICU Membership
at the
1985 Annual Meeting
February 1, 1985**



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FEDERAL STUDENT ASSISTANCE POLICY

APPROPRIATIONS FOR STUDENT AID PROGRAMS. In the realm of federal budget allocations and appropriations, we intend to maintain our efforts to assure financial accessibility for all Americans to all higher educational opportunities. We have found that low-income students are becoming increasingly dependent upon loans. Many of the lowest income students (those with no family contribution) find that their debt upon graduation is greater than their total family annual income. NAICU's central student aid funding objective calls for adjusting the imbalance between grant and self help assistance for needy students. We seek balanced appropriations to attain the federal policy goal, established in the 1980 Amendments to the Higher Education Act, that 75 percent of a student's expenses should come from a combination of reasonable parental or independent student contributions plus Pell Grants, SEOG, and SSIG benefits. We, therefore, call upon the 99th Congress to:

Provide balanced funding support for basic and supplemental grant programs (Pell Grants, SEOG, and SSIG) and self-help programs (CWS, NDSL, GSL, and PLUS).

REAUTHORIZATION OF THE HIGHER EDUCATION ACT. The current system of student financial assistance is responding to a declining share of the needs of students attending independent colleges and universities. We call upon the 99th Congress to consider major changes of federal student assistance policy during reauthorization of the Higher Education Act. Without change, the current system actually could work against the federal goal of equalizing higher educational opportunity and assuring access for all needy students to all types of postsecondary education. We call upon the 99th Congress to make changes in the following areas.

STUDENT GRANT PROGRAMS

Needy independent college and university students participate to the fullest extent of their eligibility in the federal student grant programs. But the awards have a reduced impact on their ability to afford higher education. For the lowest income students attending independent colleges and universities (those with no family contribution), the proportion of total cost covered by a maximum Pell Grant has declined from 36 percent in 1975 to 21 percent in 1984. And, because the grant programs are insufficient, these students are finding themselves more and more heavily dependent upon high-cost loan programs. In 1984-85, nearly 60 percent of independent college and university recipients from families with incomes of \$6,000 or less took loans averaging \$2,200. In 1979, only 15 percent of such students were forced to borrow and their average loan was only about \$1,400. This heavy reliance on loans for our lowest income students must be corrected by improving the federal student grant programs.

Pell Grants

Make Pell Grants More Sensitive to Tuition Expenses. Concentrate Pell Grants on "hard" educational costs (tuition, fees, books and supplies), thus making the program more sensitive to the actual tuition price of education.

Target Pell Grants on Students from Low Income Families. Target Pell Grants on students from low-income families in order that those students can be assured of access to the higher educational institutions that best meet their aspirations and abilities.

Authorize Campus Administration of the Pell Grants Program. Provide for campus administration of Pell Grants to produce substantial savings in processing time and cost to the federal government.

Supplemental Educational Opportunity Grants

Target SEOG Funds on Needy Students. Restore statutory language that targets SEOG funding on those students with the greatest need (those whose family contribution is less than one-half of their total cost of education).

Revise SEOG Institutional Allocation Formulae. Revise the statutory formulae in such a manner that institutions may share equally in any increased appropriations while maintaining their current allocation levels.

State Student Incentive Grants

Provide Incentives for States to Create or Augment State Work and Grant Programs. Extend the SSIG program and amend it to allow states to use up to half of any new federal allocations to help establish or sustain a 50-50 federal-state work-study program to supplement the grant assistance available under the existing 50-50 federal-state SSIG program.

SELF-HELP PROGRAMS

Self-help programs also form an important part of need-based student aid packages at independent colleges and universities. But improvements must be made in order for needy students to receive the benefits intended by Congress in creating these programs.

College Work Study/Cooperative Education

Maintain Separate Programs of College Work Study and Cooperative Education. Maintain both separate programs which properly serve different purposes.

Maintain Non-profit Nature of College Work Study. Maintain the statutory requirement that CWS funds may be used only by not-for-profit businesses or institutions.

National Direct Student Loans

Extend the NDSL Program and Rename it the Carl D. Perkins Loan Program. Extend the NDSL program and rename it for its principal advocate, the late Carl D. Perkins. Maintain the low-interest, campus-based nature of the program that allows the campus aid administrator to determine student needs.

Extend Authority to Forgive or Cancel Loans. Extend and broaden current provisions of law that allow loans to be forgiven for certain kinds of teaching to include persons providing other forms of social service to the nation.

Guaranteed Student Loans/PLUS Loans

Limit GSL to Need. Limit coverage provided by the GSL program for undergraduate students to the amount of "remaining need" after all other grant, work, and loan benefits, together with all expected parental/student contributions, are taken fully into account.

Eliminate the GSL Student Origination Fee. Repeal the GSL origination fee, which continues to reduce net student loan amounts by 5 percent, despite the fact that the origination fee was intended only as a temporary measure to reduce federal GSL costs in 1981.

Increase Loan Limits. Increase the annual and aggregate loan limits under the GSL program for those students in their last two years of undergraduate higher education and for all graduate students.

Allow Consolidation of Student Loan Repayments. Allow students to consolidate loans taken under different programs and different terms into a single repayment plan, with options for early or extended repayment on a graduated or income-related schedule.

Authorize Income-Related Repayment. Allow all borrowers to repay their loans under schedules which are income-related.

Establish a Federally-Guaranteed, Unsubsidized Student Loan Program to Complement GSL. Establish an unsubsidized but federally-guaranteed student loan program as a "loan of last resort," with the federal guarantee serving as an umbrella over a variety of institutional, state, and secondary-market loan programs for students and families who are unable to meet their needs for loan capital under the GSL and/or the PLUS programs, or who may need to borrow some or all of their expected parental, independent student, or graduate student contribution.

Enhance the PLUS Program. Change the PLUS program to make it more attractive to lenders by increasing loan limits, authorizing both secondary markets and loan consolidation capabilities, and prohibiting parents and students from using a declaration of bankruptcy to set aside their loan obligations.

STUDENT AID DELIVERY SYSTEM/NEED ANALYSIS

The current student aid delivery and need analysis systems are complex and confusing, and may not be operating as Congress intended. Congress attempted to address part of the problem by mandating a single need analysis system in the 1980 Amendments to the Higher Education Act. But implementation of the new system was deferred. The 99th Congress has the opportunity to address this issue.

Review the Current System for Determining Family Ability to Pay for Higher Education. Review the multiplicity of "need analysis" methodologies currently in use to determine whether a new, single methodology for determining family ability to pay can be developed for all federal student aid programs that simplifies the current system while maintaining discretion for financial aid administrators to adjust for individual student circumstances.

Establish a Master Calendar for the Delivery of Federal Student Aid. Adopt a Master Calendar for the delivery of student aid along lines recommended by the National Commission on Student Financial Assistance, in order that the federal student aid system may function smoothly and allow all students to make timely decisions about their higher education plans.

Revise Definitions of Dependent/Independent Student. Revise the statutory definition in order to make certain that ability to pay for higher education is properly assessed for families who provide financial support for their children's higher education and that students who really are financially independent are assessed on the basis of their own financial position.

Require Verification Documentation with All Financial Aid Applications. Require all income data submitted on all federal student aid applications to be verified by campus financial aid administrators in order to make certain that federal student aid program benefits are awarded to students with demonstrated need.

Require Matching for All Federal Student Aid Benefits. Require matching payments for federal aid payments as a demonstration of commitment by institutions, states, and parents/students that they are partners with the federal government in the student aid system.

Consider Federal Merit-Based Aid. Support federal merit-based student assistance at the currently-authorized level as a recognition on the part of the federal government of excellent academic achievement, while striving to make this form of student assistance tuition-sensitive when it is reauthorized. Appropriations for such a program should not detract from full funding of need-based student assistance.

Review Proper Measure of Family Income. Provide a determination of the proper measure of income for purposes of determining family ability to pay for higher education, recognizing that provisions of the tax code that allow deductions from gross income were designed for purposes unrelated to higher education need analysis.

TAX POLICYTAX EXEMPT STATUS

NAICU is increasingly concerned that the value of our tax-exempt status is undergoing a steady erosion that must be stopped and reversed if our vitality is to be preserved. NAICU will continue to monitor federal and state developments in this area.

NAICU also will continue its efforts to preserve and expand appropriate sources of college revenues as a means of lessening the tuition burden on our students and enhancing their educational experience in a manner which is consistent with existing law.

CHARITABLE GIVING

NAICU will continue its efforts to preserve the unique status of the deduction for charitable gifts in the federal tax code as the only deduction that encourages the transfer of personal wealth to public-service purposes. We, therefore, will continue vigorously to oppose the classification of the deduction for charitable contributions as a "tax expenditure," and all other efforts to treat this provision as a form of subsidy rather than a truly "voluntary tax."

NAICU believes that any major change in the tax system should recognize higher education's fundamental reliance on charitable giving, and should include an incentive feature that preserves and enhances the opportunity to make such gifts. Such a provision should: (a) be deductible against the taxpayer's highest marginal tax bracket; (b) be free of floors which must be exceeded before a deduction is secured; (c) retain the full fair market deductibility of gifts of appreciated property; (d) be free of minimum tax calculations; and (e) be available to every taxpayer.

NAICU believes it is important to expand public awareness of the importance of charitable giving, as well as the patterns and sources of such giving to independent colleges and universities. Further, we must work to improve public understanding of the inter-relationship between voluntary giving and tax policy at both the federal and state levels.

NAICU will continue to pursue refinements of the tax incentive legislation enacted in 1981, which encourages restricted corporate contributions to higher education such as gifts of equipment and support of university-based research, while seeking also to preserve and enhance unrestricted corporate contributions to all types of higher educational institutions.

INSTITUTIONAL CONCERNS

NAICU will continue vigorously to support the maintenance of tax-exempt bond financing for facilities and major equipment purchases as an important and appropriate mechanism for strengthening the financial and teaching capabilities of independent colleges and universities.

NAICU further believes that tax incentives aimed at retooling America's physical plants should include all parts of the private sector -- that is, both non-profit and for-profit corporations.

NAICU believes that the historic practice of providing tuition scholarships to college employees and their families should be preserved in a manner that allows campuses the maximum flexibility to control the cost of such a program, and that allows colleges to achieve their institutional purposes.

NAICU believes that any Congressional review of fringe benefit programs such as pensions, should proceed in a manner that recognizes the difficulties encountered by non-profit employers in absorbing suddenly increased labor costs, and that any mandated adjustments must be made with sufficient notice to allow for adequate preparation.

EDUCATION AND RESEARCH-RELATED TAX INCENTIVES

NAICU will continue vigorously to support the continuing exemption from taxation of (a) scholarship and fellowship programs; (b) employer-provided educational assistance to employees; and (c) other appropriate forms of employer-provided assistance.

NAICU will continue actively to explore legislative proposals designed to supplement and complement federal student assistance benefits with a program of general tax incentives, such as tax-deferred educational savings accounts, that encourage family savings to meet future tuition-and-fee expenses at whatever college is chosen as the most appropriate higher education program for their children.

NAICU will support the maintenance of appropriate tax-exempt bond financing for federally-guaranteed student loans, and as a limited source of supplemental capital to fill out student financing packages when all other sources of loan capital (MOSL, GSL, PLUS, and ALAS) have been exhausted and additional student need remains to be filled.

NAICU reaffirms its primary position that the existing federal grant, work, and loan programs of the Higher Education Act, as amended, are best able to serve the important principles of equity and need-sensitivity. However, should public policymakers decide to look to a program of tuition tax credits, NAICU continues to believe that such a program must be viewed strictly as a supplement to adequate funding of student aid programs authorized by the Higher Education Act, and should be sensitive to both unmet student need and the varying cost of attending institutions of higher education.

NAICU supports re-enactment of the research and development tax credit with modifications that increase the tax incentive for research performed on college campuses.

INITIATIVES TO IMPROVE QUALITY

NAICU calls on Congress to expand the purposes and funding of the institutional grant and loan programs within the Higher Education Act, to address the facilities, equipment, computing and library needs of undergraduate education.

NAICU calls on Congress to enact a federal grant program for the purposes of academic renewal and enhancement. Grants should not be used for campus expansion. Grants should require a significant institutional matching commitment that demonstrates an institution's support for its proposed project. Institutional matching funds could come from any non-federal source including private gifts and grants, state funds or the proceeds of public authority bonds for academic facilities. This matching requirement could be waived or modified for exceptionally needy institutions. The number and size of grants to individual institutions would be limited to ensure a wide distribution of federal funds.

NAICU will work with the Congress to develop a mechanism for distribution of such grants to ensure that a peer review system judges the merits of each proposal within the context of the mission and capabilities of the institution; and/or that a state distribution or need formula treats all institutions adequately and fairly.

NAICU also will pursue the expansion and funding of the now-dormant Higher Education Facilities Loan and Insurance Program as well as continuance of the highly successful College Housing Loan Program prepayment option. NAICU will also seek federally funded incentives for private lending institutions to assist in the improvement of the infrastructure of undergraduate education.

* * * * *

NAICU also supports federal efforts to provide institutional assistance; to encourage business-education cooperation; to promote international education and foreign language study; to improve teacher education; and to assist institutions in endowment-building. We will follow the lead of other qualified organizations on these issues and endeavor to make certain that independent higher education is well served by those efforts.

REGULATORY ISSUES

NAICU will continue to advance and support the unwavering allegiance of independent higher education to the social policy goals of equal opportunity for educational advancement regardless of race, sex, age, or handicap -- and also regardless of any initiatives to achieve "deregulation" and/or "regulatory reform" in higher education. We embrace these social policy goals as part of our fundamental responsibility as institutions of higher learning, working in a common and cooperative effort with federal and state governments.

Espousing the principle that self-regulation is almost always a preferable alternative to governmental regulation, NAICU will continue to seek ways to strengthen the capacity and resolve of independent colleges and universities to construct effective systems of self-regulation which assure equal opportunity for educational advancement regardless of race, sex, age, or handicap, and which also address such specific and tangible administrative issues as admissions and recruitment practices, student expense budgets, normal academic progress and good standing, and off-campus operations.

PROTECTION AGAINST GOVERNMENT CONTROL: NAICU seeks to incorporate into all federal and state legislation affecting higher education the basic statutory protection of the General Education Provisions Act (GEPA) against any federal "direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution" -- together with legislative language to make clear that this protection against governmental intrusion upon the internal administration of higher educational institutions take precedence over other requirements of federal and/or state law.

REGULATORY REFORM: NAICU seeks to build on the gains secured in the Regulatory Flexibility Act of 1980, with legislative and regulatory initiatives aimed at improving the process and quality of rule-making so as to decrease the costs of compliance and to guarantee congressional intent is being adhered to; further, to strengthen guarantees that assure that colleges charged with violations are deemed innocent until proven guilty.

CIVIL RIGHTS: NAICU will actively seek to assure that any civil rights legislation includes a provision that requires evidence of discrimination to be found in a fully appealed adjudicated process prior to any action to defer, limit, or suspend federal government funding and/or raise questions about eligibility to participate in federal government funding. Any proposed changes must incorporate existing language and understandings relative to the maintenance of current exemptions, such as for single-sex and/or religiously-controlled institutions of higher education, and should expand such exemptions as appropriate to guarantee the independence of all such colleges and universities from governmental control.

ACCREDITATION/ELIGIBILITY: NAICU continues to seek a mutually supportive relationship between government regulatory agencies and the voluntary accrediting community, based on:

- a) maintaining the linkage between institutional accreditation and institutional eligibility to participate in federal and state assistance programs;
- b) strengthening the capacity and resolve of voluntary accrediting bodies to effectively assist their member institutions in achieving and maintaining administrative good practice, as well as quality of educational programs;
- c) strengthening the capacity of the Council on Postsecondary Accreditation (COPA) to encourage institutional self-regulation of administrative practices; and
- d) strengthening the capacity of COPA and the Accreditation Advisory Council of the Education Department to cope with the increasing problems associated with specialized accreditation.

Senator STAFFORD. Thank you very much, Doctor. I think this committee does understand the importance of all of these college assistance programs, and we said yesterday, as long as the present chairman and ranking member are here, we intend to see these programs continue.

Dr. Toll, let me satisfy a little personal curiosity, not on your time. When I was a student at a college in New England in the early 1930's, a prominent member of the faculty at Princeton was a Dr. Toll, same spelling, and his son was a prominent football player on Princeton's football team.

I wondered if there is any connection between you and that name?

Dr. TOLL. The prominent football player is my first cousin. I was a faculty member at Princeton, but I think you may be referring to my uncle who was a faculty member at Amherst. But I have been a faculty member at Princeton before I came to the University of Maryland a little over 32 years ago. So the football player was my first cousin.

Senator STAFFORD. I see. Well, thank you. I was just curious about the connection. We are very glad you are here and of course we all sort of hope for the success of your football team, aside from academic matters. Dr. Toll.

Dr. TOLL. Thank you very much, sir. My name is John Toll. I am president of the University of Maryland. My headquarters are just one-half hour drive from here, and it is always a great pleasure to appear before this committee, especially the committee that created the Pell Grant Program, to talk about it.

I am a member of the board of the American Council on Education. Of course my institution is a member of the ACE and the National Association of State Universities and Land Grant Colleges, and of the Association of American Universities, the organization which includes the 50 major research universities in the country.

The ACE is the overarching organization that includes all the institutions of higher education in the country. At each of these associations we have discussed, during our meetings, as a prime topic for the past couple of years, the reauthorization of the Higher Education Act. We believe the act that you are dealing with is extremely important. The position that I will support today has been

developed out of intensive discussions among all of the institutions, and indeed is a position strongly supported by the three organizations I mentioned.

The Pell Grant Program has become tremendously important to all of our students. It is the most important program for assuring access and opportunity to higher education today, providing support for 2.9 million students nationwide. For example, at my own University of Maryland, about 8,000 students received money from the Pell grant last year amounting to \$7.5 million, or slightly under a \$1,000 per grant, on the average. While all of our campuses are involved, with 11 percent of the students on all of the campuses, about half of the students on our Eastern Shore campus, which is a predominantly black campus, are supported by the Pell grants. That fact stresses the importance that these grants have had for needy students which have involved minority students.

Furthermore, at the present time we are thrusting a greater and greater burden on students and their families, as we gradually raise the tuitions to support an increased proportion of the cost for higher education, and so the Pell Grant Program will become increasingly important in the future.

Recommendations that have been recommended by ACE and others are summarized in the attachment to my testimony; I will not go over all the details here.

But I do want to stress that we have made a proposal which maintains the spirit of the current program, but in fact puts more emphasis on meeting the needs of needy students than before, to be sure that the program serves the needs of those students who otherwise would be deprived of the opportunity for higher education. That has been our highest priority in developing these proposals.

One priority that I have personally stressed, and that I think most of my colleagues share, is the importance for all of higher education to get behind the proposals as you will draft them from this committee. We believe at this stage that the proposal that has been put forward by ACE, NASULGC, and AAU represents a proper consensus position.

No, there is no universal agreement. You will hear differences between the groups that are here. There are some good things in the AASCU proposal, such as support for part-time students, which I think is going to be increasingly important in the future. The ACE does not have a position on how less than half-time students should be made eligible, but ACE certainly does not oppose the AASCU proposal. I personally believe aid to part-time students will be increasingly important in the future and a particularly good investment for the Nation.

The higher education community has limited its request and has tried to stress those features which are most important to maintain the spirit of the current program. I want to emphasize the very great importance of maintaining a viable Pell Grant Program.

I want to stress that there has been a wide area of agreement on the proposals for the reauthorization of the Higher Education Act. Out of these intensive discussions of the past year, you will find in the proposal submitted to you on behalf of all the institutions of higher education, agreement on almost all issues. We differ slightly

only over the Pell Grant Program, and I think the ACE proposal represents the best consensus overall.

There was a National Commission on student financial assistance, on which I realize you served, Mr. Chairman. I think the recommendations of that group are very important and the most serious problem is not so much a radical revision in the Pell Grant Program as the fact that inflation has cut back the effectiveness of the program so that it is now seriously underfunded. We think the main importance of our proposals is to shift increased support to needy students, and to raise the level of support to the level that will be needed in the future, particularly in view of the high level of inflation.

In summary, I want to stress that I think there has been a rather high degree of consensus among the higher education community. The overwhelming majority of my colleagues that I speak to are in support of the ACE proposals. If your committee will adopt proposals along those lines, you will find that you will have the very strong support of the higher education community as a whole. The Pell Grant Program will become increasingly important in the future, as universities and colleges are inevitably having to throw more and more of the burden on students to cover increasing portions of the cost of education through tuition. Without the improvements in the Pell Grant Program many students would be denied the chance of a higher education.

[The prepared statement of Dr. Toll follows:]

TESTIMONY
TO THE
SUBCOMMITTEE ON EDUCATION, ARTS & HUMANITIES
COMMITTEE ON LABOR & HUMAN RESOURCES
UNITED STATES SENATE

September 12, 1985

PRESENTED BY:
John S. Toll, President
University of Maryland

Mr. Chairman and Members of the Subcommittee:

My name is John Toll. I am President of the University of Maryland. I appear before you today as a representative of the American Council on Education, the Association of American Universities, and the National Association of State Universities and Land-Grant Colleges. My university is a member of each of these associations which have jointly agreed on a proposal for Pell Grants as part of the reauthorization of the Higher Education Act.

I appreciate this opportunity to testify before the Subcommittee which originated the Pell Grant program. This program has grown to become the cornerstone of the national commitment to postsecondary opportunity, providing assistance to some 2.9 million needy students.

For example, at the University of Maryland, in 1983-84, 7,854 students received a little over \$7.5 million in Pell Grants as part of their financial aid packages. While the grants are important to all students who qualify, they are absolutely vital for encouraging enrollment of minority students who are disproportionately drawn from low-income groups. While across all five campuses, 11 percent of our students receive Pell Grants, at our Eastern Shore campus, which is historically black, half the students enrolled receive Pell Grants, and these grants account for almost half of the financial aid package that enabled these students to participate in higher education.

Any recommendations for change in such a vital program are bound to generate controversy, and the Subcommittee has already heard sharply differing Pell Grant proposals from witnesses representing the public and the independent sectors. My purpose this morning is to urge a solution which can resolve these differences, and achieve consensus in the community.

In recent years the Pell Grant program and most of the other federal programs of assistance to students have been seriously threatened by budget recommendations which call on Congress to cancel or to curtail the national commitment embodied in Title IV of the Higher Education Act. This is no time for the sectors of higher education to engage in divisive disputes. Our best efforts should be focussed on working with the Congress to strengthen the student aid programs in ways which we can all support.

At the outset I would emphasize the extent of agreement that already exists. Both the public and independent sectors agree on the principle that federal student aid should be targetted more effectively on the neediest students. We agree that awards and living expenses for needy students should be increased substantially to reverse the serious erosion in the value of aid resulting from inflation and inadequate funding in recent years.

Our highest priority is to increase the Pell Grant maximum provided to the neediest students. Increases in the maximum have been severely limited in recent years by constraints on federal spending. Consequently, many low-income students have resorted to borrowing before they have established an academic track record, and have had to drop out of school and default on their loans. Others simply have not enrolled in postsecondary education because of reluctance to assume debt which they have doubts about their ability to repay.

Our principal, shared objective is to correct the imbalance between grants and loans that has imposed a growing burden of debt on students and their families. Between 1978 and the present, loans have grown from 13 percent to almost 50 percent of federal aid. On behalf of all the major institution-based associations, the American Council on Education has

transmitted to the Subcommittee a set of recommendations that are designed to achieve significant cost savings in the Guaranteed Loan Program. These recommendations would result in a total reduction of approximately \$850 million in annual program costs once they are fully implemented, which could free up substantial additional funding for Pell Grants and the other Title IV programs.

We also share enthusiastic support for the conclusions of the National Commission on Student Financial Assistance, which reported in 1983 that the major federal programs have generally served the nation well, are not in need of radical revision, and have as their most serious problem their perennial underfunding.

Despite these broad areas of agreement, there remain major points of difference between substantial portions of the public and independent sectors over specific changes to be made in the Pell Grant program. The public sector generally supports the provisions of current law which base the amount of the individual award on the difference between family contribution and total educational costs, including living expenses as well as institutional charges. The independent sector argues that Pell Grants should be based primarily on tuition and fees, with living expenses limited to those with family incomes below 150 percent of the poverty level.

I urge you to give careful consideration to the proposals of the American Council on Education which would accommodate both of these views. ACE's recommendations are designed to achieve the community consensus which is so important for reauthorization legislation. They would provide larger awards that make more realistic assumptions for living costs and provide greater tuition sensitivity. The increased costs would be funded in part by decreasing

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the share of benefits to middle-income students at lower-priced institutions. ACE's recommendations would make a dramatic impact on the amount of funds available to low-income students, as outlined in the attachment to my testimony.

A number of further recommendations for Pell Grants and the other Title IV programs also represent a consensus in the higher education community, and are described in the ACE package of recommendations transmitted to the Subcommittee last week. I should also note that the ACE package represents a broad consensus of the community with respect to changes in the other titles of the Higher Education Act.

In summary, I would like to emphasize the high degree of consensus in the higher education community on needed changes in the Higher Education Act. The differences among the sectors relating to the Pell Grant program should not be allowed to overshadow this consensus. Everything possible should be done to resolve these differences, so that public and independent sectors alike can join together in support of a strengthened federal commitment to assist all deserving students who need help in meeting the cost of postsecondary education.

I believe that the Pell Grant Program has become the principal means of assuring access of higher education to all qualified students. As the burden of bearing the cost of higher education is being increasingly shifted onto students and their families, the importance of the assistance provided by Pell Grants will become even more important in the future. I urge you to adopt as the Subcommittee's language the suggestion supported by ACE, AAU and NASULGC.

Summary of ACE Pell Grant Recommendations

*Increasing the maximum award from \$2100 to \$3000 would provide approximately 50 percent of the average public and independent college charges for tuition, room, and board, thus restoring the original value of the Pell award, which has been seriously eroded by inflation in recent years.

*Assuming expenses of \$3000 for all students living on- or off-campus, and continuation of the existing \$1500 assumption for those living with parents, would more closely approximate minimal living and miscellaneous expenses, and provide relative equity among students in similar circumstances. The existing \$2000 assumption for living and miscellaneous expenses for students living off-campus and not with parents is clearly inadequate, and is less than the expenses allowed most students living in campus housing.

*Replacing the Bureau of the Census (Orshansky) poverty index with the Bureau of Labor Statistics (BLS) low budget would make the family-size offset, the basic amount deducted from the family's income in calculating their expected contribution, more realistic and equitable than the austere poverty standard. It would also bring a measure of consistency in need analysis among the federal programs.

The formula for computing a student's cost of attendance is critical to the equity of the Pell program. Currently the formula distributes proportionately greater amounts to middle-income students at lower-priced institutions because of the operation of the percentage-of-cost limitation. This limitation (now at 60 percent) does not affect the awards of higher-income students or those of eligible students in higher-priced institutions, who receive their full entitlement. Only low-income students (over one million) in less-expensive institutions have their entitlements reduced by this limitation. To target increased funding on the neediest students, ACE recommends:

*Modifying the Pell Grant formula to limit the size of the award to 60 percent of cost minus expected family contribution.

Presently, the award is computed by subtracting expected family contribution from the maximum award, but the award cannot exceed 60 percent of cost, or need, which is defined as 100 percent of cost minus expected family contribution. Therefore, under current law, middle-income students in lower-priced institutions can receive an award which in combination with their expected family contribution, equals 100 percent of cost. In contrast, the neediest student cannot receive an award which exceeds 60 percent of cost even though he has no expected family contribution to supplement it. He must still find the remaining 40 percent of his educational cost, while the middle-income student has his total needs met.

This proposal would assure that no one receives an award which, in combination with expected family contribution, exceeds the award received by the neediest students at that institution. The proposal also assumes that the percentage-of-cost limitation will not be raised, but will remain at 60 percent to maintain approximately the current balance of assistance for needy students in the public and independent sectors.

Modifying the current provisions in this way would limit the awards of 650,000 Pell recipients and reduce the cost of our proposal by \$208 million. Recipients in the lowest-priced institutions with family incomes between \$20,000 and \$30,000 would have their awards limited an average of \$500 below what they would receive if their expected family contribution were not subtracted from 60 percent of cost.

For example, if the maximum grant were increased to \$3000 under the current formula, a dependent student from a family making \$21,000, with an expected family contribution of \$1100, and a cost of attendance of \$3200, could receive an award of \$1900 ($\$3000 - \$1100 = \$1900$), whereas the neediest student with no expected family contribution could receive only \$1920 ($\$3200 \times 60 \text{ percent} = \$1920$). Under the ACE proposal, that same middle-income student could receive an award of \$820 ($\$3200 \times 60 \text{ percent} = \$1920; \$1920 - \$1100 = \$820$), compared to the \$1920 award of the student without any family resources.

ACE also proposes increasing the tax rates used to determine expected family contribution for dependent students from 11 percent, 13 percent, 18 percent and 25 percent on \$5,000 increments of discretionary income to 18 percent, 20 percent, 24 percent and 33 percent. These rates, in conjunction with the BLS low budget standard for the family-size offset, would establish an effective income cut-off for dependent students from a family of four with one in college at \$30,000 Adjusted Gross Income.

In recognition of the needs of the non-traditional student, the 1980 Amendments to the Higher Education Act mandated that the tax rates on discretionary income for independent students with dependents be the same as those for dependent students. For budgetary reasons, that provision has not been implemented. ACE recommends that tax rates for all students, those receiving financial support from their parents, and those not receiving such support, be the same. The amount of the family-size offset would differentiate between family units of various sizes, but the tax rates on discretionary income would be the same.

These changes, if implemented at the proposed \$3000 maximum, would provide awards to 3 million recipients -- some 250,000 over the number currently served -- and cost approximately \$5.1 billion. The principal effect of these changes would be to increase substantially the size of awards to the neediest students.

Senator STAFFORD. Thank you very much, Dr. Toll. Let me just offer a personal observation, and that is that during the struggle we had to retain current funding for the Higher Education Act over the last 8 or 9 months, it seemed to me that the academic community was united, as it never has been before.

We may be facing some more problems next winter, and I hope that no schisms will develop in the community, and that we can count on your united support again, if some schisms are threatened or attempted to develop, so that we will be able to present a united front next year, and I just express that as a personal hope as I look ahead to the next calendar year.

I have two or three short questions here that I might like to ask. One is that it has been suggested that we eliminate the central processor in the administration of the Pell Grant Program. How would that affect the delivery of Pell grants on each of your campuses?

Could each one of you comment briefly on that. Dr. Fretwell.

Dr. FRETWELL. I talked with our chief student financial aid officer in great detail about this point, and in the latter part of my testimony, I point out that it would be much simpler if the Pell Program, like certain other programs which seem to be working quite well, be administered locally with appropriate supervision so that the public interest is safeguarded. The delays of having certain things processed at two different times at two different places are excessive according to my colleague, and I believe he speaks for many other people in the financial aid business on many, many campuses, and also in national associations.

Senator STAFFORD. Thank you. Dr. Trachtenberg.

Dr. TRACHTENBERG. Yes. I would concur with my colleague and go a step further. I think additional administrative efficiency could be effected if the Pell grants were treated as an entitlement program, essentially codifying the practice that we presently have, and if the Pell grants were treated in much the same way as the guaranteed student loans. We would be happily deprived of the annual "strum and drang" and drama, which accompanies the overruns and one thing or another.

If this were to be done I think it would be needed to be done with appropriate safeguards, to see to it that the equity and the floor of support were consistent, but that is something I would hope that the committee would also consider.

Senator STAFFORD. Thank you. Dr. Toll.

Dr. TOLL. I agree with many of the observations made by my colleagues, yet it is impossible for me to state directly what the effect of doing away with the central processor would be, unless I knew what type of system would replace it.

Senator STAFFORD. All right.

Dr. FRETWELL. Mr. Chairman, could I speak a little further on this point. It is my impression—and I think I could quantify it, if necessary—that a number of the, what I will call new students, some of these students who are the first in their family to come, people who are well-meaning, hard-working, dedicated, but relatively unsophisticated young people coming from families who do not understand a lot of the complicated aspects of forms and pieces of paper.

These people get the impression that it is a jungle, that they may not get very much, that they do not know how much they will get, and in some cases I believe they are discouraged from even applying at all.

I cannot prove this but there is a general feeling in that direction and I think this is something the committee might wish to look further into.

Senator STAFFORD. All right, gentlemen, thank you very much. As we are all aware, the cost of attending college has risen dramatically in the last decade.

What responsibility do you as college presidents feel you have in cost containment in the future? Dr. Trachtenberg.

Dr. TRACHTENBERG. I think we have got a good deal and I think we have made some notable progress in that. To some extent the costs of running universities has tracked the inflation. God knows the faculty and staffs at our universities have not been compensated in accordance with that and to some degree they have sustained more cost containment than is probably appropriate if the best interests of higher education are to be kept in mind.

Similarly, I think there is a national question about the capacity of our universities to maintain up-to-date laboratories and research facilities, and I think both of those issues have to be addressed.

But there is no doubt an obligation on the part of universities to run lean and trim, and I think most of us have willingly assumed that burden.

Senator STAFFORD. Thank you.

Dr. FRETWELL. Could I speak to that also.

Senator STAFFORD. Yes, sir.

Dr. FRETWELL. I mentioned earlier two key words, excellence and access. Our institution, operating as a university only for 20 years, is basically in what has been a vacuum area in terms of a comprehensive university. Now for this reason, and other reasons, our enrollment has continued to grow consistently including this fall, and the way the State operates its budgets, we are constantly carrying more passengers in our wagon, if you will, than the State told us we were supposed to. So, the net cost is less and we are concerned about quality, but we are also concerned about efficiency, so we are basically putting more people in the same plane on the same amount of gas, if I may use that analogy, and I think the public is getting a good return.

Also, we have a fair number of people, Senator, from New England running our place, so we're trying to keep things just right.

Senator STAFFORD. Dr. Toll, do you have a comment?

Dr. TOLL. We are all working very hard to put great emphasis on efficiency at universities and the containment of costs, but I think one should stress that the costs that have fallen on higher education are items like the costs of libraries, of computers, of other equipment, and they have risen more rapidly than inflation in the society as a whole.

As Dr. Trachtenberg has said, the result has been that faculty and professional salaries have tended to lag behind inflation, and, generally speaking, we have very tight budgets at the present time.

We do what we can to trim. We also have the problem that most institutions have had to postpone the maintenance of their facili-

ties. There is a large and increasing deferred maintenance; you have probably seen the recent publication *Crumbling Academe* which stresses that this is a nationwide problem, hitting particularly the comprehensive universities in the country.

So, we all are trying to find ways to catch up with this accumulated need by being efficient in every way we can.

Senator STAFFORD. Thank you very much. One final question. There are those who say the quality of higher education has declined in the last several years.

Hopefully, they are in a minority, but I would be interested in your brief comment on that assertion, if you would care to comment.

Dr. FRETWELL. May I comment, Mr. Chairman, about our own institution rather than higher education in general?

Senator STAFFORD. Certainly.

Dr. FRETWELL. Maybe my colleagues would like to be more comprehensive. We note two things going on simultaneously. One, and I want to praise the faculty for this: A deep concern about basic knowledge in the arts and sciences which I touched on very lightly.

As a result of a 3-year study, our faculty adopted last year a core of requirements, emphasis on improved writing, communication, understanding of self and other people, which is sometimes a little hard for people in the professional colleges who would like more engineering, more accounting, et cetera, to take; but the faculty, through its own approach said: "Look. We're trying to turn out educated people at the 4-year level—whatever that means; therefore, there are certain basic things drawn mostly but not entirely from the arts and sciences, that they need."

At the same time that that is going on, we noticed a slight increase this year of SAT scores, and so here are two signs of, I think, specific quality concern.

Dr. TRACHTENBERG. Mr. Chairman.

Senator STAFFORD. Dr. Trachtenberg.

Dr. TRACHTENBERG. Both of us come from a region of the country not known for its oil deposits and yet a region of the country which is flourishing, flourishing, I think, in large measure because of the wit and the competence and the ingenuity of its people; an ingenuity nurtured in its schools and colleges.

New England companies continue to recruit from New England colleges and come back year in and year out, and indeed, I think they probably occasionally hire people from North Carolina and Maryland, and other parts of the country as well.

I think the best testimony on the competence of our graduates is the fact that they consistently get jobs and hold those jobs, and the firms that they work for do well.

Senator STAFFORD. Thank you. Dr. Toll.

Dr. TOLL. Mr. Chairman, I do not think there has been a decrease in the quality of education as a whole. I think there have been changes and these changes are important to respond to the needs of the time.

There was a period while we were loosening requirements to give students a lot of choice in the forming of their own educational programs. At most institutions now, there is a move back to more structure, more requirements, to be assured that the students do

master the fundamental skills that they will need as they go on in their careers. We are still leaving a fair amount of choice to them.

Trying to improve our educational programs to respond to new needs has been difficult under the very tight budgets at the present time.

So, I think it is true that to some extent institutions have not been able to keep up with the changes in disciplines and the changing requirements. We lack the equipment and the resources to meet some modern needs, but I do not think that there has been a decrease overall of quality of higher education. There has been increasing access, and I think that is something of which we, as a nation, can be very proud.

Senator STAFFORD. Thank you very much, gentlemen. I see that a valuable member of this committee, Senator Dodd of Connecticut has joined me. Senator, do you have either a statement, or any questions?

Senator DODD. Well, thank you very much, Mr. Chairman, and once again I commend you and Senator Pell for holding these hearings to examine the major issues affecting reauthorization of the Higher Education Act, a bill that is now in its 21st year. Of course HEA represents the latest manifestation of the Federal Government's long commitment to higher education, going back more than 120 years, to the Morrill Act in 1862, the first land-grant colleges, and the GI bill, and other legislation which led to the Higher Education Act of 1965.

Today, there are certainly a lot of questions, particularly those raised by the administration, over particular budget deficits problems and the cost of higher education.

I am delighted to see Steve Trachtenberg is here, one of the most distinguished members of Connecticut's higher education community and certainly, one of the most respected people in the country when it comes to higher education, a good adviser.

I would like to ask the three of you a series of questions on the whole issue of efficiency, if you will, and the switch we have seen in the last few years from the grant to the loan. I think now, of all assistance, about 50 percent of financial aid to students is in the loan area as opposed to the grant area.

And the implications of that are, beyond of course, the immediate ones that have to do with the fiscal questions that come up, questions, for instance on how this balance affects student choices in terms of curriculums and careers?

Are you finding that more and more students are choosing academic disciplines which are more inclined to provide higher income salaries because of the debt obligations associated with their loans? Is that a real problem?

How is this affecting lower income students who look ahead to the loan obligations at the culmination of a higher education, and question whether or not it is worth it for them to go through that, given the possibility of not being able to come out from underneath that particular problem?

Third, what's happening in terms of your own faculties, given the fact that the teaching professions, even at the higher education level, are not the most lucrative? Do you anticipate that before the end of this century, you will find a real problem in the quality of

professors, of faculty, across the country? And again, relating this all to that question of loans and grants, what would be the ideal mix between the two? If I am correct on the 50-50 mix as it is today, a shift from what it was before, what should it be in your own minds?

That is a lot to put in front of them, Mr. Chairman.

Dr. FRETWELL. Mr. Chairman, could I address maybe the last and conceivably the easiest point while my colleagues take time to figure out the answers to the others?

This has to do, Senator, with a major point that you are alluding to, and that is, where are the faculties coming from?

Senator DODD. Right.

Dr. FRETWELL. My background happens to be teaching English, but I am worried not so much about the quality of what is being taught in English literature at our place, or elsewhere, but where are the quality faculty coming from now and in the immediate future, as well as the long range, in some of the key areas which are having the biggest growth in a State that is attempting to move into high tech, and I refer specifically but not exclusively to engineering, engineering technology, computer science, and accounting. A person coming out of our engineering program with a bachelor's degree, can almost immediately, or very shortly, be making more money, and employed in the world of engineering than the assistant professors, and maybe the associate professors who were just teaching him.

We have very little success encouraging our graduates in engineering to go into graduate work, to complete the Ph.D. to become professors in that field.

If they already have a loan burden of 50 percent, or more of certain costs of undergraduate education, they are not going to feel too good about going to graduate school anyway if they just add more and more to the problem.

I think the picture that you are probably well informed about already is particularly acute at our place, and maybe others. So, the quality of faculty is one of the key factors and we are engaged in something which bothers me but it is a function of market, that we would pay a professor of engineering, computer science, accounting, maybe one or two other fields—I should say an assistant professor, beginning, with a doctor's degree—approximately twice what we would pay an assistant professor in English or sociology, or possibly history.

This is a function of market, it is patently unfair, but that is what it is like. I do not see some of our best people, the brightest and best teaching in the humanities, and I am deeply concerned about it, and loans are not the whole story but they are a part of it.

Senator DODD. No; I understand that, but they are part of it, in your mind?

Dr. FRETWELL. Yes; indeed.

Dr. TRACHTENBERG. I would underscore what my colleague has said and just put a footnote on it, Senator. I would define quality, not only with regard to the ability of the individuals but also to see that the faculties of the future are more heterogeneously representative of our society.

Not only is it difficult to get certain people in certain fields but it is virtually impossible to get people who represent many of the minority groups, and increasingly as the undergraduate populations in this country become black and Hispanic, I think it is going to be imperative that we have black and Hispanic faculty and administrators in our colleges and universities, since it takes approximately a decade for somebody to earn the Ph.D., from the bachelor's degree to the Ph.D.

And since we are going to see large infusions of minority persons into our colleges in the predictable future, I think it is probably not too late to be worrying about that issue along with the need for finding professors of computers and electrical engineering and the other difficult disciplines, and there is no doubt that the distribution of aid, which is heavily loan dependent, is an impediment in inducing some of these people to consider academic careers, just as Dr. Fretwell has suggested.

Additionally, I think there are real problems that we do not even begin to understand on the possibility of family in this country and the whole sociology of America, induced through what one might characterize as a negative dowry.

If you have young men and women graduating from colleges and universities deeply in debt, what they get by getting married is a merger of that debt, which makes it exceedingly hard, even with two incomes, notwithstanding all that we have heard about Yuppies—exceedingly hard for them to contemplate owning a home, and leading the kind of life that has conventionally been thought of—

Senator DODD. Cannot afford that mortgage.

Dr. TRACHTENBERG. That is right. Cannot afford the mortgage. So, I think that is a real problem. And I think to the extent that we are prepared to invest in our young people as opposed to conceive of higher education resources as expenditures, we are best advised to go for more grant and less loan.

Senator DODD. I do not know if there have been any studies done on this at all, any surveys of students at the end of their freshmen year, when they are choosing their major fields of study.

Have there been any surveys done which would question why students are selecting, say, engineering, or prelaw or premed, as opposed to, say, the humanities? To the extent that there have been any surveys, how accurate is it to suggest that at least a substantial part of that decisionmaking process is based on the debt burden assumed by the loan programs?

Dr. TOLL. To the best of my knowledge, there are no definite surveys concerning this problem. But there is no doubt that the shift that you talk about to more career-oriented disciplines has been occurring. There are many factors, some of them healthy factors, that have been leading students to make these shifts. When I speak to students, I gain the impression that a good part of their motivation, is that they realize the debt burden they are assuming will have to be paid back, and they must prepare to do it, and it does have a tremendous effect on their career decisions. The shift has been very rapid. In 1978, 13 percent of the Federal aid was loan programs; now just about 50 percent. And the shift is occurring to

such an extent that the burden is a very great one, so I believe that it is affecting, greatly, the decisions of students.

You are absolutely right that it has affected especially the decisions of poor students. Even just discussion of possible cuts in the Pell grants leads to a dropoff in applications. People depend so much upon these grants that they react even to rumors of possible further cuts, and it is quite clear that it has a big effect on the planning for our students and on what they do.

It also has the effect on faculty that Dr. Trachtenberg and Dr. Fretwell mentioned, that some potential faculty are not entering the Ph.D. program because they feel that the 50,000 dollars' worth of debt each would acquire in completing a Ph.D. program is simply a burden that they and their families, particularly if they have other obligations, cannot assume.

So, the heavy reliance on loans is greatly limiting the choices that people make. Many of our students, as bachelor degree graduates, do earn more than the faculty who spent 6 years of graduate and postdoctoral training are earning at the present time. When students go into graduate work, with the idea of a faculty career, they often are going to have less potential income than if they go directly into business with a bachelor's degree. So, the idea that people can support advanced education because it is going to lead to their own financial reward is, in many fields, simply not true.

When the Pell Grant Program and other programs were introduced for undergraduates, we simultaneously decreased our commitment in support of graduate students, and now graduate students are especially heavily dependent on the loan programs. This is an anomaly in national policy that it is very hard to understand, but it is greatly affecting the availability of good faculty for the future.

This emphasizes the importance of the Pell Grant Program in the future because it is important to decrease the burden of debt that students assume at the undergraduate level in order that they can go ahead for further study at the graduate level; many students are now discouraged because of their heavy dependence on loans already at the undergraduate level.

Dr. FRETWELL. Senator, if I might, I would like to second what my colleague John Toll has indicated, and read, if I might, a sentence which is in the latter part of my testimony, which suggests that you consider authorizing loan forgiveness on a year by year basis, of student financial aid granted at the graduate level. Now we would hope it would be increased, and that then, there would be what I am talking about here. Forgiveness at the graduate level for those American Indian, black, Hispanic, and women students who have completed their terminal professional degree, and serve on the faculty of an accredited American university. This would be a positive step in the direction of encouraging more people in those category to prepare for and enter into academic careers in colleges and universities.

Senator DODD. That is an idea. Mr. Chairman, I thank you for that. I took a lot of time. That was one question, Mr. Chairman. I will not ask any further. I thank you for your responses, and I would like to know about those surveys, particularly if any individ-

ual colleges or universities may have done any. I do not know if anything has been done nationally.

And if not, I might suggest that this is something that we might try, to inquire of students why these decisions are being made. I would be very curious myself to know if the loan burden, the debt burden issue is a part of that.

Mr. Chairman, last, I have some additional questions. I know you have other witnesses coming, and I would like to just submit those at the proper time.

Senator STAFFORD. Well, thank you very much, Senator Dodd. Since most of us on this committee were supposed to be in three different places at once this morning, I have already attended two other committees before I got here. I know members will have questions that cannot be here, and I wonder if you would be willing to answer a few questions in writing, if we send them in.

Dr. FRETWELL. Absolutely.

Dr. TOLL. We will be pleased to do so.

Senator STAFFORD. Then for all the members of the committee, we will ask the privilege that they be allowed to submit questions in writing.

Having said that, my partner in this committee, Senator Pell, has arrived, the Senator after whom, of course, Pell grants are named. Senator, we are very glad you are here.

Senator PELL. Thank you very much, Mr. Chairman. Following up on a point that Dr. Toll raised, it is interesting that in the past 4 or 5 years, the actual dollar value of the Pell grants has decreased by a fifth, by 21 percent, and as you point out, such a grant which covered almost half of the average costs of college in 1978 and 1980, will only cover about a third this year.

So, the whole system, as you point out, justly point out, is being skewed, and the youngsters are leaving college with an increasing debt, and as one of you put it, with a negative dowry. So the point is well taken. It is a particular delight to welcome Dr. Fretwell here. Almost 40 years ago, though, you would not believe it to look at him, we were Vice Consuls together in a remote part of the world, and I am very glad to see you look so well.

Dr. FRETWELL. Thank you, Senator.

Senator PELL. I really had just one question. That is that Senator Nickles and I have proposed legislation that would require students to maintain a C average, or its equivalent, in order to continue receiving Federal student aid, and from a philosophical viewpoint, as the money seems to be decreasing in available grants, certainly, real money, that we have to make sure that that money goes to those who can best use it, and that also, we secure the quickest repayment from those who have already borrowed.

That is why we are cracking down a bit on those who have not paid back, and I was interested particularly in your reaction to this idea of trying to diminish the pool of students that get aid by saying that they have to maintain a C average.

Maybe Dr Fretwell will give us his reactions first.

Dr. FRETWELL. Thank you. I have a mixed answer to that. That on the face of it, it looks good and makes sense, but I would have some concern about what happens to the student who, for no fault of his or her own, did not have the best preparation in high school,

who makes it to college, maybe has a bad time, but possibly with some good help and maybe a little counseling, can turn around.

I guess what I need is a kind of a mental safety net here to take care of a young person, particularly a minority person who comes from a limited background, as well as others.

I guess I would go for it, yes, but, if I can put it that way.

Senator PELL. Well, we can put in the legislation something providing for a year, compassionate circumstances, or a certain leeway, that would be applied.

Or if a youngster comes from a home and the mother and father shot each other, or there is some horrible trauma going on, that these would be taken into account.

Dr. FRETWELL. I think that idea is a commendable idea—not the shooting but the year of leave.

Senator PELL. Good. Mr. Trachtenberg.

Dr. TRACHTENBERG. Yes. I think there is no doubt that we want to invest our money, and I consider the taxpayer's money as our money, in youngsters that are going to make the best use of it. I share Dr. Fretwell's concern that we not be excessively Draconian, and keep in mind at all times that the youngsters who are frequently getting the Pell grants are youngsters who, but for those grants, would not be at colleges and universities, and who tend to come frequently from backgrounds for which it has been a great struggle for them to get to universities and colleges.

I was commenting earlier that the typical Pell recipient at my university comes from a family of five to seven, from an income range of \$11,000 to \$15,000 a year, and with savings accounts of zero to \$2,500.

We are talking about people who are really struggling to get to the campus and to stay there, people who are frequently holding down jobs, and doing a variety of things that put them under great strain.

And what I would not want to do is have them feeling that there is a sword hanging over their heads, which might result in their being dispatched from the campus in the event that they were to slip.

So finding some balance, I think, in maintaining quality and standards, and at the same time compassion, and understanding the philosophy which I believe you represented when you conceived of the Pell grants, the equity that inspired it, I think is important as well.

Senator PELL. Thank you. Actually, under our bill, it would not take effect until the first year had gone by anyway, and there would still be some kind of compassionate safety net.

Dr. TRACHTENBERG. The sophomore year.

Senator PELL. Figure out what that would be; this is where we need help. Dr. Toll.

Dr. TOLL. Senator, I would like a chance to study the bill in more detail and comment later, but my first reaction is that it would be better to replace the requirement of a C average by a requirement of making adequate academic progress.

Grading standards vary from one institution to another; and situations vary from one academic program to another, I think it is better to require proper academic progress in the program in which

the student is enrolled, rather than a nationally fixed grade point average.

A problem can result that then faculty alter their grading standards in order that the definition allow all students to continue who are making adequate academic progress. So you have an effect on grading standards which you did not intend, probably, in the bill.

My first reaction is therefore to urge that you record the bill to specify instead making academic progress towards the degree, rather than meeting any particular grade point average.

Senator PELL. Good. Thank you very much for the suggestion and thank you, Mr. Chairman.

Senator STAFFORD. Thank you, Senator Pell, and gentlemen, for the committee, and for myself personally, my gratitude for your joining us this morning and helping us as we begin consideration of reauthorizing the Higher Education Act.

The next panel will consist of Mr. Andrew Vignone, Pell grant administrator of Detroit Engineering Institute; Mr. Paul Orehovce, financial aid director, Wooster College, Wooster, OH; and Miss La Verne Dixon, who is a student at Prince Georges Community College, Upper Marlboro, MD.

Lady, and gentlemen, if you would, come forward.

Let me repeat for emphasis, the fact that we are asking you to complete your statements within 5 minutes, that any written statements you have supplied the committee, and addenda thereto, will be printed in the record as if read, so that they will be available to all staff, and to members of the committee who were unable to be here this morning due to multicommittee commitments.

I think we might go in the order in which I called your names and I apologize if I have mispronounced the name. Mr. Vignone, I know that you are going to talk about campus-based programs as well as Pell grants, so we anticipate that, and you are not on the wrong panel. Why do you not go ahead, Mr. Vignone.

STATEMENT OF ANDREW VIGNONE, PELL GRANT ADMINISTRATOR, DETROIT ENGINEERING INSTITUTE, DETROIT, MI; PAUL OREHOVEC, FINANCIAL AID DIRECTOR, WOOSTER COLLEGE, WOOSTER, OH; AND LA VERNE DIXON, STUDENT, PRINCE GEORGES COMMUNITY COLLEGE, UPPER MARLBORO, MD

Mr. VIGNONE. Mr. Chairman, Senator Pell, I appreciate the opportunity to present the views of the National Association of Trade and Technical Schools, concerning the campus-based aid programs as well as the Pell Grant Program.

I am Andrew Vignone, vice president and director of financial aid at Detroit Engineering Institute. In addition I have been active in various State and national organizations representing student financial aid issues.

The National Association of Trade and Technical Schools is an association of 835 accredited private, postsecondary, occupational schools and branch campuses.

Our schools are job oriented and dedicated to serving training needs of students and employers. At my school we offer 1- through 3-year programs in electronics, design engineering, and climate control. Our programs lead to placement in the student's chosen

career with an overall placement record of 85 percent. Detroit Engineering Institute currently has 475 full-time students with an average age of 26. Of this total, 75 percent receive some form of title IV aid.

Approximately one-third receive campus-based funds, primarily National Direct Student Loan and Supplemental Grants.

In addition, 95 percent of the students work while attending school. Our purpose in testifying this morning is to point out inequities that currently exist in certain aspects of the campus-based programs primarily.

These inequities have the effect of limiting opportunities for some individuals to acquire the skills necessary to obtain steady and productive employment.

I would like to highlight the recommendations set out in our written testimony.

On the College Work Study Program, we recommend that the statute be changed to allow proprietary school students to use their college work study funds for student service related jobs on campus.

This change would make the treatment of students attending proprietary schools, and students attending nonprofit and traditional institutions more consistent.

Students attending proprietary institutions could benefit by the use of college work study funds, for many student service-related activities including the student aid office, the career counseling office, the student activities office, and for tutoring students with academic problems.

Nonprofit institutions currently use approximately 85 percent of their college work study funds for jobs on campus. We urge that this inequity be eliminated.

On the State Student Incentive Grant Program, we recommend that the statute be changed to deny the Federal matching State-student incentive grant payments to any State which discriminates against students based on their choice of school.

In spite of the equality provided in most of the other title IV student aid programs, the discretion given to the States in the SSIG Program discriminates against many students attending proprietary schools.

For example, many States do not allow State grants to be given to proprietary school students. In many States grants are only provided to students attending nonprofit institutions or studying for a degree.

In my home State, students who attend any tax-supported school may receive a State scholarship which contains Federal SSIG funds. Students attending a proprietary institution, no matter how needy or qualified, may not receive a State scholarship. The current Federal law allows States which do not give any of their SSIG funds to proprietary students, nonetheless, to include those students in the count of their postsecondary students for the allocation of SSIG funds.

In other words, their students are counted in those States even though no awards are given to them. It is unfair and inconsistent for a State to deny grants to proprietary students but still count them for the allocation formula purposes.

On the campus-based allocation formula, we recommend that the statute be changed to eliminate apportionment of funds to States.

Instead, we recommend that funds be allowed directly to educational institutions based upon the demonstrated financial need of students attending those institutions.

This analysis should be performed annually, rather than locking in a school's funding through a system of conditional guarantees.

It would be best to phase in the change of apportionment from States to institutions over a reasonable period of time. The present system tends to reward schools and not students. Students in schools in all sectors with substantial growth are unable to receive adequate funding.

In summary I wish to reiterate that all of the above recommendations are designed to eliminate inequities which prevent students attending NATTS schools from properly participating in certain federally sponsored programs. We believe these students should not be discriminated against because of the school they attend.

I would like to thank you, Mr. Chairman, for this opportunity to present our views on how the campus State aid programs and the grant aid allotment formulas could be improved to remove discrimination against students attending our institutions.

I would be glad to respond to any questions that you, or other members of the subcommittee may have about these points, and also about the Pell Grant Program.

[The prepared statement of Mr. Vignone and responses to questions submitted by Senator Hatch follow:]

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NATTS

TESTIMONY BY

ANDREW G. VIGNONE
VICE-PRESIDENT AND DIRECTOR OF FINANCIAL AID

DETROIT ENGINEERING INSTITUTE

BEFORE THE

SENATE SUBCOMMITTEE ON EDUCATION, ARTS, AND HUMANITIES

COMMITTEE ON LABOR AND HUMAN RESOURCES
U.S. SENATE

SEPTEMBER 12, 1985

ON BEHALF OF THE

NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS (NATTS)

Mr. Chairman. Members of the Subcommittee. I appreciate the opportunity to present the views of the National Association of Trade and Technical Schools (NATTS) concerning the campus-based aid programs and the grant allotment formulas as they affect students attending our schools.

I am Andrew G. Vignone, Vice President and Director of Financial Aid at Detroit Engineering Institute (DEI). In addition, I have been active in various state and national organizations representing student financial aid issues. Currently, I am a member of the National Association of Student Financial Aid Administrators (NASFAA) Committee on Need Analysis Standards. I am also a member of the Executive Council for the Midwest Association of Student Financial Aid Administrators.

THE NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS

The National Association of Trade and Technical Schools (NATTS) is an association of 835 accredited private postsecondary occupational schools and branch campuses. Our schools are job-oriented and dedicated to serving training needs of students and employers. Over 100 training programs are available in our schools which are located throughout the country. There are an estimated 250,000 students

representing a broad range of income and racial backgrounds enrolled in these institutions.

Our schools are oriented to the market demand, sensitive to society's demand for career-related training, and are knowledgeable of how shifts in the labor force are affecting particular occupations. "Hands-on" training, frequent starting dates for rapid access, an accelerated pace of training, flexible teaching schedules, work-related atmosphere, and a heavy emphasis on job placement are all innovations introduced by occupational schools to serve the training needs of business and industry.

PROFILE OF STUDENTS

In order to give you a profile of students attending occupational schools, we would like to refer to a 1983 study conducted by the National Commission on Student Financial Assistance entitled, Proprietary Vocational School and Federal Student Aid: Opportunities for the Disadvantaged.

The national study was significant because it was the first attempt to provide data on the characteristics of proprietary students receiving financial aid and the packages of student aid received by those students. Let us highlight a few of the basic points of the report:

- * Over half to nearly two-thirds of the students at proprietary schools applied for financial assistance.

- * The proprietary sector is providing financial assistance to individuals with an average age of 25.
- * 54% of those receiving financial assistance are from minority groups.
- * 56% of those receiving financial assistance come from family incomes under \$6,000.
- * Proprietary schools serve a greater proportion of independent or self-supporting students; 54% of those receiving aid at proprietary schools do not have any parental support.

Detroit Engineering Institute currently has 475 full-time students. Of this total, 75% receive some form of Title IV aid. In addition, 95% of the students work while attending school.

The programs offered at DEI include: Mechanical and Design Engineering Technology; Air Conditioning; Refrigeration and Heating Servicing. The programs range in length from 15 to 27 months.

STATEMENT OF PURPOSE

Our purpose in testifying this afternoon is to point out inequities that currently exist in certain aspects of the campus-based programs. These inequities have the effect of limiting opportunities for some individuals to acquire the skills necessary to obtain steady and productive employment. Our recommendations are designed to eliminate the barriers which now prevent students who attend NATTS schools from participating fully in many federally-sponsored programs.

COLLEGE WORK-STUDYRECOMMENDATION

We recommend that the statute be changed to allow proprietary school students to use their college work-study funds for student service-related jobs on campus.

RATIONALE FOR CHANGE

This change would eliminate the last remaining distinction that exists in the Title IV legislation between students attending proprietary schools and students attending non-profit institutions. Students attending proprietary institutions could benefit by the use of college

work-study funds for many student service related activities, including the student aid office, the career counseling office, the student activities office, and for tutoring students with academic problems. Non-profit institutions currently use 85% of their college work-study for jobs on campus.

The traditional concept of the College Work-Study Program is one of a student aid program and not a work program per se. Congress made a conscious decision in the 1980 Educational Amendments not to relate the type of work done by a student in the College Work-Study Program to the academic coursework that the student was taking; rather, this connection was to be achieved by the Cooperative Education Program (Title VIII). The value of relating financial aid directly to work has been recognized by the increased amounts appropriated for College Work Study.

Most NATTS students are commuter students attending classes five hours each day, and, therefore, commuting to and working on an off-campus job can be extremely difficult. Thus, in the many cases in which a student cannot be placed in a non-profit organization and is precluded from work at his own school, he or she is effectively precluded from participating in the work-study program.

We urge that this inequity be eliminated.

STATE STUDENT INCENTIVE GRANTS

RECOMMENDATION

We recommend that the statute be changed to deny the Federal matching State Student Incentive Grant payments to any state which discriminates against students based on their choice of school.

RATIONALE FOR CHANGE

In spite of the equality provided in most of the other Title IV student aid programs, the discretion given to the states in the SSIG program discriminates against many students attending proprietary schools. For example, only a handful of states allow state grants to be given to proprietary school students. In many states, because of state constitutions or statutes, limited funds or other restrictions, grants are only provided to students attending non-profit institutions or studying for a degree.

In Michigan, students who attend any tax-supported school may receive a State Scholarship, which contains Federal SSIG funds. Students attending a proprietary institution, no matter how needy or intelligent, may not receive a State Scholarship. In my

institution, this means that a student attending a program three academic years in length may not receive a Scholarship, but his neighbor who attends a program at the local community college (2 years in length) may.

The current federal law allows states which do not give any of their SSIG funds to proprietary students nonetheless to include those students in the count of their postsecondary students for the allocation of state student incentive grant funds. In other words, our students are counted in those states even though no awards are given to them. Again, there is no incentive in the federal law to entice states to open all their state grant programs to proprietary students. Moreover, there is no disincentive for not making them eligible.

This is another area where the barriers must be removed so that all students may participate equitably in the SSIG program. It is unfair and inconsistent for a state to deny grants to proprietary students, but still count them for the allocation formula purposes.

CAMPUS-BASED ALLOCATION FORMULA

RECOMMENDATION

We recommend that the statute be changed to eliminate apportionment of funds to states. Instead, we recommend that funds be allocated directly to educational institutions based upon the demonstrated

financial need of students attending those institutions. This analysis should be performed annually, rather than "locking in" a school's funding through a system of Conditional Guarantees. It would be best to phase-in the change of apportionment from states to institutions over a reasonable period of time.

RATIONALE FOR CHANGE

Under current law, funds are allocated to institutions based upon the number of students in each state. We feel that this apportionment should be eliminated, so that the differences in economic strength of students in different states can be recognized.

When the funding system was first developed, the present two-step procedure was necessary for control purposes as regional panels might employ different standards in approving funds to schools. If Region A was generous, where Region B was strict, a national allocation system would penalize students in Region B. Under the current system, however, an institution's aggregate need is determined objectively through a formula so that the state allocation apportionment is no longer necessary and can even distort the funding to students in certain states.

We also feel that Congress should eliminate the system of Conditional Guarantees whereby funds are allocated to institutions based primarily

upon the amounts spent by schools during a fixed year (1979-80 for SBOG and College Work-Study, and 1980-81 for NDSL.) Only a limited amount of funds, commonly called fair share dollars, are available for distribution to schools based upon demonstrated need. The needs of students in many NATTS schools have changed substantially from the 1979-80 period, because of growth in enrollment or changes in the economic situation of the individuals. This observation is corroborated by the fact that proprietary schools' total share of allocations is higher than their share of Conditional Guarantees, thereby indicating that their demonstrated need is greater than their fixed funding level.

Another problem which must be remedied is that under the current system, even if a school receives fair share dollars and fully utilizes them, there is little assurance that they will maintain that funding level in future years. Therefore, we feel that an annual analysis of need is more equitable.

PROGRAM ADMINISTRATION

RECOMMENDATION

We recommend that the statute be changed to allow greater flexibility to transfer funds between the Supplemental Education Opportunity Grant, College Work-Study and National Direct Student Loan Programs.

RATIONALE FOR CHANGE

Currently, institutions can transfer funds between the SEOG and CWS programs. Since NDSL and CWS are considered self-help programs, the law should provide for similar authority with NDSL. Giving the institutions greater transfer authority would enhance the ability of the institutions to better meet the specific needs of their students.

NATIONAL DIRECT STUDENT LOANS (NDSL)

RECOMMENDATION

We recommend that the statute be amended to include a provision which would waive the default standard for new capital contribution eligibility if the institution shows a significant improvement (25% or greater) in decreasing defaults over the previous year.

RATIONALE FOR CHANGE

Such an incentive was included previously in regulations put forth by the Department of Education, but was later removed. This incentive had a very positive effect on encouraging institutions to take measures to decrease their NDSL default rates.

SUMMARY

We wish to reiterate that all of the above recommendations are designed to eliminate inequities which prevent students attending NATTS schools from properly participating in certain federally-sponsored programs. We believe that a student should not be discriminated against because of the school he or she chooses to attend.

Mr. Chairman, I thank you for this opportunity to present our views on how the campus-based aid programs and the grant aid allotment formulas could be improved to remove discrimination against students attending our institutions. I will attempt to respond to any questions that you or other members of the Subcommittee may have about the points I have raised.

9/16/85

Questions from Senator Hatch to all witnesses at Higher Education Reauthorization hearings:

Please give me your thoughts, as you choose, on any or all of the following problems:

- 1) the proper division of responsibility between student, parents or other family, educational institution, the private sector, and government in financing post-secondary education;
- 2) the proper balance between loans, grants, and work in financial aid packages in order to ensure a student's maximization of his education;
- 3) whether or not more resources for financial aid should be channeled to institutions for disbursement through them to students and why; and
- 4) whether or not, and how, greater concern with a student's educational achievement levels should be made a part of criteria for financial aid.

Detroit Engineering Institute

Celebrating Seventy-Five Years of Quality Education



2030 Grand River
Detroit, Michigan 48206
313/222-7480

October 8, 1985

United States Senate
Committee on Labor & Human Resources
Subcommittee on Education, Arts & Humanities
Washington, D.C. 20510

Attention: James W. Powell, Editor

Dear Mr. Powell:

Attached is the transcript of my remarks to the Subcommittee on September 12, 1985. Corrections - all minor - are on pp. 43, 44, 45, 46, 56.

In response to Senator Weicker's questions, approximately 250,000 students in the proprietary sector attend under the current "ability to benefit" provisions.

In response to Senator Hatch's question #2, I believe that grant and work-study aid should be targeted to students at lower income levels, and to direct institutional charges. Loans should be geared to indirect costs and to students with lesser need.

In response to Senator Hatch's question #4, I support the direct link between a student's academic progress and his or her continued receipt of Federal Financial Aid. However, a targeting of aid on a merit basis seems an inappropriate role for Federal funds which seek to increase the general educational level of our citizenry.

Sincerely,

DETROIT ENGINEERING INSTITUTE

Andrew G. Vignone
Executive Vice President/
Director of Financial Aid

AGV/mds

DETROIT

Accredited School
National Association of
Trade and Technical Schools

SENATOR STAFFORD. Thank you very much. Now we will hear from you, Mr. Orehovec.

MR. OREHOVEC. Thank you, Mr. Chairman, members of the subcommittee, my name is Paul Orehovec. I am associate dean of students and director of financial aid at the College of Wooster in Ohio.

I appreciate this opportunity to discuss recommendations for reauthorizing the Pell Grant Program. I have already submitted to you in written testimony several recommendations which I believe will enhance the Pell Grant Program.

At this time, however, I would like to focus my remarks on one of the vital points, delivering Pell grant funds to students.

On January 7, 1984, a high school student who I will call Mike, completed his financial aid form, a need analysis application document used to apply for institutional and Federal title IV funds, including Pell grant.

Like so many high school seniors, Mike had aspirations and dreams which included a college education. His largest single problem was financing. Mike has one parent and a sister who would also be attending college, and his mother's income was under \$15,000.

On March 3 of that year the College of Wooster sent an initial aid award to Mike which included work study, recommended guarantee student loan, a College of Wooster grant, and an estimated Pell grant. Mike was instructed to send the student aid report, the award notification document provided by the Pell grant central processor to the College of Wooster, so that an exact amount of the award could be determined.

On July 17 we received Mike's student aid report. The report received was a corrected copy. Changes were made through the central processor.

On August 2 our staff informed Mike that two more corrections were necessary. This was discovered in the college's self-initiated verification process. Mike was instructed to make the appropriate changes and return that student aid report to the central processor.

On September 18, Mike took advantage of the College of Wooster's entrance interview process. At that time one of our staff met individually with Mike to determine if, (1), he understood the aid process, and (2), if he was having any particular problems.

At that meeting Mike explained that the student aid report was returned to the central processor for corrections. On September 20, we received a corrected student aid report from Mike's mother. At this time it came back as a validation case.

Federal validation procedures necessitated our writing a letter to the student noting a small discrepancy in the summer earnings question. Mike was once again instructed to make the correction and forward it back to the central processor.

On January 2, we reminded Mike that we had not yet received a valid student aid report. On February 28, 1985, we received the corrected student aid report from Mike's family, and on March 14, 1985 we finalized Mike's Pell grant, and he received his funds.

For Mike it was a relief. He could now concentrate on his studies, or could he? I forgot to mention that on January 24, 1985, Mike

had completed the need analysis application document for the 1985-86 academic year. In effect, his 1984-85 Pell grant was finalized 1 month and 18 days after applying for the following year's aid.

The entire Pell grant process for this student took 1 year, 2 months, and 7 days. It required a total of five student aid reports which means five trips through the central processor.

One could certainly raise the question of who was at fault in this long process—the student, the college, or the Government?

Each party probably needs to take some responsibility in the delays that took place. However, I believe that Mike fell victim to the system. The Pell grant central processing system just does not work very well. Mike isn't alone. Seventy percent of our Pell grant recipients needed to return the student aid report to the central processor.

We had students who needed to go through the central processor as many as seven times. The average was 2.4. If this system could be decentralized, as recommended in my written testimony, the process could be stepped up considerably. Mike could have had his Pell grant in the summer.

In 1985-86, 90 percent of our students have yet to have their Pell grants finalized as of the second week of classes.

With the exception of some switching between funds, Mike had his other grant funds finalized in the summer prior to the beginning of classes.

His guaranteed student loan was processed in that summer. In closing, let me note, Mr. Chairman, that the fundamental purposes of the program are sound, as I have noted in my written testimony, and it has clearly benefited millions of our Nation's citizens.

However, I firmly believe that it can be administered in a much more efficient manner, which in time, will benefit all parties, especially the students we serve.

Again, thank you for this opportunity and I will be happy to answer questions later.

[The prepared statement of Mr. Orehovec and responses to questions submitted by Senators Weicker and Hatch follow:]

TESTIMONY
OF

PAUL M. OREHOVEC
ASSOCIATE DEAN OF STUDENTS/
DIRECTOR OF FINANCIAL AID

THE COLLEGE OF WOOSTER
WOOSTER, OHIO

BEFORE THE
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
UNITED STATES SENATE

September 12, 1985

Mr. Chairman, Members of the Subcommittee, my name is Paul M. Orehovec. I am Associate Dean of Students/Director of Financial Aid at The College of Wooster, Wooster, Ohio. The College of Wooster is a private, liberal arts college of 1700 students. I appreciate this opportunity to appear before you to discuss recommendations for reauthorizing the Pell Grant Program.

Since its inception in the Education Amendments of 1972, the Pell Grant Program, formerly known as the Basic Educational Opportunity Grant Program, has provided some twenty-five million awards to financially needy students enrolled in eligible institutions of post-secondary education. At Wooster, where 55% of the student body demonstrates financial need, 232 students received the Pell Grant this past year.

As originally conceived, the Pell Grant Program was hailed as a national entitlement program primarily directed to students from low-income families. The program was designed to provide each qualified student with reasonable access to the approved post-secondary educational institution the person selected by giving him or her a grant, not to exceed 50% of the student's defined cost of attendance. The Pell Grant was to be a "floor" upon which all other forms of aid, regardless of the source, would be added. The grants were also to be "portable" in that a recipient could take the award to any approved school and be assured that it would be honored.

The program, at least in its initial conception, was also to be administered almost entirely by the Federal government. Institutions themselves were to have little administrative responsibility and virtually no discretion in determining eligibility, or the amount of the award. Rather, the student's eligibility was to be determined by a Federal processor and the amount of the award by a payment schedule developed annually by the Education Department. The payment schedule was based on a set of family contribution schedules approved by Congress, which in turn produced an eligibility index for each

student that could be used to determine the student's grant based on the selected school's defined cost of attendance.

The intent, therefore, was for the program to be a total Federal-student partnership with institutions only playing a minor, coordinating role. In the first year, since the program was going to be a "limited partnership," institutions were not initially involved. In fact, the limited partnership was designed in such a way that the Federal government was to provide the applications only to high schools. This presented no problem since the program was being limited to incoming freshmen. The applications, however, arrived at the high schools in August for the class that graduated the previous June. Thus began institutional involvement in a much more expanded partnership. Some of the current institutional requirements are shown as Appendix A.

Looking back today, twelve years after the program became operational, we can say without any hesitation that most of the purposes of the Pell Grant Program have been achieved. While the program has been modified in recent years to include students from moderate and middle-income families, program statistics clearly show that three fourths of the Pell Grant recipients nationally have family incomes of \$15,000 or less. The portability feature along with the half cost provision have provided hundreds of thousands of students with a degree of choice in selecting a postsecondary education best suited to their academic needs. Although there are some who would claim that the Federal government cannot be involved with college choice, we at Wooster thank this subcommittee and the entire Congress for historically recognizing the distinctive differences in educational opportunities and ensuring a pluralistic feature to education in our great nation.

The "floor" concept helped provide a foundation upon which other loan, work, or grant assistance could be added, thus helping to ensure more reasonable financial aid packages for millions of needy students. But in spite of these many virtues, the program still has a number of aspects that make it overly complex, inefficient, administratively costly

and unnecessarily burdensome.

From the program's origin, it was established that in order to receive payment of an award, the student was to present to the institution an official notice of his or her eligibility, as determined by the Department of Education; thus the Student Aid Report (SAR), the output document printed by the Federal government's central processor and sent directly to the student became both an award notification and a payment voucher. In the early days of the program, Education Department officials felt that to ensure the entitlement and portability nature of the program, the SAR had to serve both functions. While there certainly was some logic in this approach, the fact is the SAR has never really fulfilled either of its intended functions well.

While some will argue that the SAR serves as an essential notification device to the student, in fact it only partially fulfills this purpose, since it does not inform the individual student of his or her award amount. Rather the SAR only tells students whether or not they are eligible for a Pell Grant. Given the differences in the costs of attendance at various schools and the percentage of cost limitations contained in the program, the Department can not determine in advance the expected amount of a student's Pell Grant award. Because the Department is not certain of the school the student will attend, nor does it know the student's enrollment status (full-time, three-quarter time, or half time) the SAR serves a limited function as an eligibility notice. In fact, the student does not know his or her actual Pell Grant award amount for the year until he or she receives an award letter from the institution. This is complicated further by the fact that virtually every Pell Grant recipient at The College of Wooster has at least two other forms of financial assistance. Therefore, it is the institutional aid award that gives the student the most accurate idea of what total aid will be for the year. This is not to say the SAR does not have some value as an award notification document, and may provide an individual student with an approximate award amount, but it certainly differs from the community's idea of an "award notification document" that actually lists the specific

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type(s) and amount(s) of aid a student will receive. In fact, the wording on the SAR sometimes confuses students by leading them to believe they will not be eligible for any form of financial aid, thus in some cases causing them to give up on completing the application process.

Originally, the SAR, in its payment voucher function, was conceived as a reporting document used to confirm the student's actual enrollment and cost of attendance at the selected school. While the process of submitting SARs to the Education Department for this purpose was envisioned as the means by which institutions would obtain funds for payments to eligible students on a timely basis, this procedure has rarely worked efficiently or effectively. The Department has provided institutions an allocation for Pell Grant payments to students based in part on funds expended in the prior year. This initial allocation, sent to institutions at the beginning of the award period in July, for years could only be increased with the submission of individual Student Aid Reports on a quarterly basis. While a provision did exist for the submission of an ad hoc report designed to allow institutions to request funding between quarterly reports, the processing of such reports was equally inefficient. In fact for several years, institutions were only granted the use of one such ad hoc report annually.

Problems in the delivery of Pell Grant funds to students resulted primarily from the Education Department's inability to provide quick turnaround of funds based on SARs submitted, and provided little or no recourse for institutions and eligible students whose SARs were -- for a variety of reasons -- not ready for submission to the Department. For example, the initial allocation to institutions was generally sufficient for disbursements to students in the first term, but rarely provided enough funds for disbursements in subsequent terms. Institutions whose enrollment patterns are not typical often enroll significant numbers of students after initial authorization levels have already been depleted. Students undergoing validation or corrections to original data could not

have their SARs submitted until those processes were completed. These circumstances have not enabled institutions to submit all the SARs to the Department in a time-frame that would allow the Department to then increase the institution's authorization of funds.

Therefore, institutions have often had to advance their own funds to students and wait to be reimbursed by the Department. In many cases, this payment delay resulted in institutions being forced to borrow from commercial lenders or use other institutional funds to pay these eligible students. This process was complicated in several years by the Department's failure to provide timely administrative procedures and payment schedules to institutions.

Another process that causes delays is that any changes or corrections to data on the SAR, including data which do not affect eligibility such as address changes, have always had to be sent back through the Federal government's Pell Grant processor thus slowing down the disbursement of funds to needy students. Even after the institution had the correct information, it had to wait for the corrected SAR to wind its way through the Department's corrections cycle with the central processor before payment could be made to the student because regulations do not allow the payment of a Pell Grant without a valid SAR.

The College of Wooster is a residential campus. The processing problem is increased because the revised SAR is sent to the home address while the student is living on campus. If there is no one at home paying particular attention to the student's mail, the SAR will be delayed even further. Add to this dilemma the fact that some of our American students live abroad and you have the making of a cumbersome and predictably slow system. Add to this even further the fact that some students attend only one semester and must complete all processes in a relatively short amount of time and you have a disastrous situation for students. All of this frustration is generated for a program that represents

approximately four percent of the total need based aid dollars that were packaged for students at The College of Wooster this past year. My staff will assure you that a significantly disproportionate amount of administrative time is spent administering the Pell Grant Program. All of this means less time devoted to advising students and parents.

In an effort to untangle and uncomplicate this inefficient delivery system, the Department, beginning with the 1984-85 academic year, instituted a new Pell Grant delivery system. Again the process was predicated upon the use of a single Federal Pell Grant processor with the emphasis on the informational needs of the Department rather than upon providing timely information and service to students and institutions.

It is clear that the intent once again was to make the process more responsive for the Department and not necessarily for students and institutions. Still the Department contended this was not the case and assured institutions the new system would be more responsive. To date this has not occurred as evidenced by the fact that as of the second full week of classes at The College of Wooster, approximately 90 percent of those students projected to receive a Pell Grant have yet to have their funds credited to their account.

In an effort to achieve a more stable Pell Grant delivery system, the Pell Grant central processor should be eliminated. The Pell Grant central processing and delivery system has been criticized as being complex, burdened with unnecessary paperwork, fraught with delays, and administratively costly. While the basic program structure is sound, and the entitlement and portability features have enabled countless students to obtain a postsecondary education, the Pell Grant delivery system has been unnecessarily costly, inefficient, less timely, and far less responsive than the systems provided by the private sector or those used by institutions for the delivery of campus-based, state, and institutional dollars.

While Pell Grant applicant data must be processed by the Department's central Pell Grant processor to generate a SAR, eighty-five percent (85%) of the applications are submitted

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to the central processor by approved private sector, Multiple Data Entry processors. In addition, on their own output documents, these Multiple Data Entry processors print the same Pell Grant Aid Index printed by the government's central processor. This gives institutions the ability to calculate an estimated Pell Grant and notify the student of the various aid amounts in the aid package without having to wait for the Federal government to process the SAR. Given the capability of the Multiple Data Entry processors to calculate the Pell Grant Aid Index, and the costs associated with maintaining a separate government processor, it seems only reasonable to decentralize the Pell Grant program.

There are some who estimate the Department's total annual expenditure for administering the Pell Grant system between \$20 and \$25 million per year. Given the magnitude of these costs the Department has attempted to initiate changes that would reduce expenses. Unfortunately, most of the cut-backs to date have been in the form of reduced services to students, institutions and agencies. To illustrate this point, I have included as Appendix B of my testimony a copy of a "Dear Colleague" letter, which was sent to institutions in March of 1982, outlining the type of services that has been curtailed. The elimination of these so called "courtesy" services has enabled the Department to save some minimal amount of dollars, but we know that their demise has also imposed additional hardships upon students, reduced basic services, and eroded the effectiveness of the program.

Therefore, I believe the time has come to seriously reconsider the current system design and fold it back into the other ongoing delivery systems utilized for all the other student aid programs. While significant costs will still be incurred, the overall costs to the Department could probably be reduced by at least 40%. Perhaps then we would have the needed resources to begin serving the needs of the students.

In addition to other procedures required for participation in the Pell Grant Program, the verification of family reported data has been an integral part of the administration of the program for many years. The financial aid community has long been aware of the critical relationship between the accuracy of family-reported information and equity and fairness in

the allocation of limited resources to eligible students. The College of Wooster started requesting tax returns of all aid recipients several years ago.

While we have always encouraged and supported the concept of verification, we have long been concerned about the procedures imposed by the Department. The Department's requirements, by and large, have resulted from studies conducted to identify "error" in the program. Rather than providing the stimulus for informed and creative dialogue on improving the program, these so called Quality Control Studies and the resulting corrective actions have instead raised fundamental questions of interpretation and motive. By the Department's own admission, the purposes of the most recent Quality Control Study were to: 1) Identify program-wide error rates and determine types and probable causes of error; 2) Propose corrective actions to further reduce program error; and 3) Measure changes in program error over time including the impact of increased validation activity of 1982-83. Clearly absent from the goals and purposes of the study was the assessment of timely and efficient delivery of the aid to needy students, effective program operations and analysis of administrative burdens on institutions.

The primary problems may be noted with the type of research conducted in these Quality Control Studies. First, so much information is collected that one can say almost anything and find data to support the assertion. The Department has chosen to emphasize the following findings:

6 out of 10 recipients received incorrect awards

11.7% (300,000 students) should not have been given a grant

The absolute case error in the Pell Grant Program was \$650 million in 1982-83

Personnel within the Administration have also publically cited these errors as evidence of fraud and abuse within the Pell Grant Program, and budget documents prepared by OMB include statements such as:

"Tighter application validation in Pell Program, as recommended by the Grace Commission, would reduce the abuse documented in three nationwide surveys."

Unfortunately, this kind of misstatement of the findings does little to encourage constructive cooperation between the aid community and the Department to work to resolve systematic deficiencies inherent in the design and operation of the program. Clearly the studies show that there is error, but they provide no evidence that there is intentional fraud or abuse on the part of institutions or students.

On the other hand, findings in the Study less publicized by the Department are:

Net institutional error decreased from 1981 to 1983 by 49% and was only 4% in 1983

85% of dependent student cases showed reported adjusted gross income amounts within \$2.00 of the actual or "best" value amount and 90% were within allowable verification tolerance levels.

Nearly 95% of all students reported their dependent/independent status correctly

The second basic problem with this type of study is that despite the statistical expertise of the design and the scientific and analytical approach to measuring validity, the exercise is heavily dependent upon and affected by subjective judgment. The most critical example of this is in the definition of error.

In the definition of "case error," five out of five factors to determine error are based on the contractor's "best value" opinion of a particular item. That is, a case error is theoretically determined by subtracting from the actual disbursement of a

Pell Grant the adjusted expected disbursement as computed by the best value judgment for certain elements. The absolute case error resulting from such "best value" judgments is the astounding and much heralded \$650 million figure.

The question is, however, does this method accurately reflect program error and thus justify the means by which the Department proposes to correct the error (increased validation/verification), or does it create an artificial measure of error for the sake of the Quality Control Study itself? If in the contractor's view, something other than a "best value" for one of the key award elements was used, an "error" occurred. The Executive Summary to the Study states, "One additional point should be considered in interpreting the findings. Estimates of error are based on data collected during the spring. There is the possibility that institutions will correct some errors during the normal end of the year self-correction process." Given this statement, it must be assumed that no follow-up was conducted to determine whether these errors were in fact eliminated in the normal process.

Several examples of questionable "error" should be noted. The cost of attendance component can be used as one such example. The Study states:

"We have used best values for the complete academic year in determining cost of attendance and enrollment errors. There is, however, nothing in the current regulations requiring continued monitoring of cost of attendance and enrollment status by the institutions as long as their initial figures were reasonable at the time the expected disbursement was determined. We are using the approach indicated because it is the only way to arrive at uniform and consistent estimates of error, even though some part of each error may not result in institutional liability."

If the institution followed the regulations, and is not viewed as being liable for an oversight, how can error be found? In other words in this particular case, an error determination was possible for purposes of the Study even though the institution did not violate any rules or guidelines.

"The largest single source of student error was due to students whose reported dependency status was not the same as their verified dependency status."

These cases are referred to in the study as "dependency status switchers." Before going much further however, it is important to note that overall, only 5.5% of the applicants used the incorrect dependency status. In other words, the vast majority, 94.5% of all applicants, reported their dependency status accurately and had their award eligibility calculated properly. Although not addressed in the Quality Control Study itself, we were advised that the amount of error was determined by comparing the amount of the actual award to the amount of the recalculated award. Therefore, in the case of independent students awarded a Pell Grant who were later determined to be dependent, one would assume that parental data was then collected and a new calculation performed to determine whether the student was eligible as a dependent student. The difference in the two award amounts (assuming the recalculated award was different) would constitute the amount of error. We in fact know this was not the case in all instances because the contractor was unable to obtain the necessary information from the parents of some of the students. Therefore, it is unclear just how many of the 5.5% would have in fact been ineligible if the recalculations had been done in all cases.

"With the exception of no FAT (Financial Aid Transcript) on file, institution related error is nearly inconsequential in the Pell Grant Program."

The Financial Aid Transcript has no bearing on a student's award in any case. If as it is suggested, institutional practices on their own do not in a substantive way increase

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the error rate in the Pell Grant program, then \$321 million (the institutional error portion of the \$650 million total absolute error seems adequately accounted for.

A key fact, fundamental to the student aid process and to the Study itself, is timing. It is important to keep in mind that student aid applications are completed several months prior to the time the student actually enrolls. The fact that the Quality Control Study looks at applicant data recorded on the initial application and compares it to "best value" data, current at the time of the study (perhaps as much as a year having elapsed) raises further questions about how error is construed. For example, at the time of application an applicant's household size may have been 5; at the time of the Quality Control Study, for a variety of reasons, the family's household size may be 4 or 6. Similarly, the application item which requests the number in postsecondary education is one of the more problematic of these questions since the response is truly a function of timing. For example, a student indicates on her application filed in February that both she and her brother will be enrolled in postsecondary education in the following year. Both enroll in September, but the brother withdraws after the first term in December. The Quality Control Study is conducted in April and determines that only one family member is enrolled, thus the student's award is in error.

The irony of these examples relating to the number in the household and the number enrolled in postsecondary education is that the Department has, since the program's inception, prohibited updating of these items once changes occur even when the institution is aware of the change. While this is indeed a system shortfall, one is hard-pressed to understand how this can be considered an "error" in the sense of Federal dollars inappropriately awarded. They are awarded by the rules of a Federal system that applies one set of rules to students and institutions and another set of rules for Quality Control Studies. The fact that the Quality Control Study passes up the opportunity to make a meaningful observation about a deficiency in this Federal system and instead chooses to categorize such cases as "errors," which contribute to the

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\$650 million total, exemplifies the arbitrary way in which error is defined and the failure of the Quality Control effort to contribute meaningfully to program improvement. In other cases, awards were considered to be in "error" for reasons not justified by regulation or current accepted practices. For example, an award was considered in error if an original of the most current SAR was not on file -- that is, a copy of the SAR was unacceptable. There is no regulatory reference to justify this condition as an error.

The subject of validation is one which drew specific attention in this Quality Control Study, since a purpose of the research was to examine changes over time that evolved from past Quality Control Study efforts and corrective actions. After a review of the various validation procedures required by the Department over the last few years, the Study concludes that a very positive impact has been made, especially in securing more accurate adjusted gross income levels, as a result of requiring the Federal Income Tax return Form 1040 as part of the process. The use of the 1040 as a means of verifying such application elements as adjusted gross income and Federal taxes paid is widely recognized as a viable means of insuring that student eligibility is determined on the basis of the best information. However, the Study observes that validation has had little impact on such areas as dependency status, other nontaxable income, household size, number in postsecondary education, and home equity. This comes as no surprise for the following reasons:

The 1040 is inadequate in providing comparable data to check application items other than adjusted gross income and Federal taxes paid.

No other efficient and effective means exists for verifying the legitimacy of the applicant's original responses to other items on the application.

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Even if expanded verification were conducted, the question of timing remains a central problem. Is the family reviewed on the basis of their status at the time of application, at the time aid is being received, or one year after the fact?

It is in this aspect of the discussion on validation that the most fundamental questions about the student aid system are raised. To simplify, it may boil down to two basic choices:

Construct an eligibility system that emphasizes the collection of only data elements that are readily verifiable. Such a system might have a zero error rate by Quality Standards standards, but what assurances could be given that those who need and deserve limited funds are getting them?

Construct a system that collects the best information possible in order to gauge a family's relative financial strengths and weaknesses; ask questions that, while they may be unverifiable, can provide the basis for a reasonable assessment of financial need; and accept the fact that even by the most arbitrarily defined error conditions, 85% of parents provide adjusted gross income information that is accurate within \$2.00 and 95% of all students report their dependency status accurately.

Mr. Chairman, in addition to my concerns over the operation of the central processor and the Department's validation process, there are three other changes I propose to improve the Pell Grant Program.

First, in section 411(a)(1)(A), I have recommended language to be added directing the Secretary to advance needed amounts of Pell Grant funds to institutions prior to the

start of each payment period. This change is needed to prevent the Secretary from simply reimbursing institutions after the eligible students have been paid from institutional funds. This recommendation was prompted in part because the Secretary promulgated final regulations on October 6, 1983, without the benefit of public comment, which changed the procedure for paying institutions. Previous regulations had specified that the Secretary would advance funds to institutions based on an estimate of the institution's need for funds to pay Pell Grants to students. The October 6 regulations allow the Secretary to reimburse institutions for Pell Grant awards already paid to eligible students, thus requiring many institutions to incur major financial liability to advance payments to students who qualify for federal dollars. The Pell Grant Program was enacted to assist financially needy students in obtaining needed resources to pursue a postsecondary education. I do not believe that Congress intended for institutions to have to incur financial liability to ensure that these students receive their payments on a timely basis. I realize the Department needs to have a system in place to ensure that Federal funds are not casually given to institutions on the basis of an unfounded or unreasonable institutional request. I do however, believe that the Department of Education is obligated to have a process to ensure that adequate amounts of needed funds, to the extent practical, are readily available to institutions to make timely advancements to eligible students.

Second, in section 411(a)(2)(A)(ii), the statute currently requires the Secretary to publish, not later than January 1, 1981, October 1, 1981, and on October 1 of each succeeding year, a schedule of reductions for Pell Grant awards to recipients enrolled less than full-time. These dates, enacted in the 1980 Amendments and changed from the previous date of February 1, were intended to provide adequate lead time for estimating student awards for the following academic year. The October 1 date was tied to the date by which fiscal year appropriations must be determined, and since the Pell Grant Program is forward funded, this date was thought to be realistic. In reality, this date has proven not to be realistic because the appropriation process has, in several

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years, required the use of continuing resolutions, thereby prohibiting the Secretary from knowing the amount to be appropriated for the Pell Grant Program. Since it is both confusing and expensive to publish tentative payment schedules before the appropriation is finalized, I propose that the date be changed.

In addition, it is equally important for the published schedules to include those for recipients enrolled full-time. I suggest February 1 as the date by which the Secretary must publish both the payment schedule for recipients enrolled full-time and the schedule of reductions for recipients enrolled less than full-time. This change will hopefully provide a more realistic date by which appropriations will be finalized, and the final schedules can be published.

Third, while I have proposed to decentralize the Pell Grant Program operations, I also believe that institutions, at their option should be allowed to recalculate a student's Pell Grant Student Aid Index and to make payments to students without first sending changes back to the original processor. As previously noted, institutions are currently prohibited from making such changes within the Pell Grant Program, even though they are allowed to do so under the campus-based programs.

As such, unnecessary delays are caused which only inconvenience the institution and the student. Most institutions have the capability of recalculating the Student Aid Index and would be happy to assume the responsibility in order to be able to pay the student in a more timely manner. Further, I would propose that any changes made could subsequently be reviewed or audited by the Department, as is the case in the other programs. Therefore, I have recommended a statutory change to section 411(b)(3)(A) which would allow the institutions to perform such recalculations.

In closing, let me note Mr. Chairman, that I strongly believe in the Pell Grant Program and that it should be adequately funded to ensure equal educational opportunity to all

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eligible students. The fundamental purposes of the program are sound and it clearly has benefited millions of our Nation's citizens. However, I firmly believe that it can be administered in a much more cost-effective and efficient manner which in turn will benefit all parties, especially the students we serve.

Again, thank you for the opportunity to appear before you, and I will be happy to respond to any questions you may have.

Appendix A

Each institution which participates in the Pell Grant Program is required to conform to Department of Education rules and regulations regarding the administration of the program. The following list outlines some of the institutional requirements.

1. Advertise and disseminate Pell Grant forms to students who are potential applicants to the Program;
2. Provide students with individualized counseling regarding the Pell Grant Program and all phases of its operation;
3. Maintain on-going contact with students to secure their Student Aid Reports (SARs);
4. Maintain individual student records on each individual student receiving Pell Grant funds;
5. Check eligibility criteria on each individual student prior to disbursing Pell Grant funds;
6. Verify enrollment status on each individual student prior to disbursing Pell Grant funds;
7. Review student data on each individual Student Aid Report (SAR) and counsel all students on incorrect or incomplete data prior to approving eligibility;
8. Make individual award calculations regarding the student's status and actual cost of attendance prior to disbursing Pell Grant funds;
9. Complete the appropriate section of each individual student's SAR or submit computer tapes according to specified formats and forward to the Department of Education with appropriate Progress Report (Progress Reports submitted three times annually);
10. Coordinate and package Pell Grant funds with all other student assistance funds;
11. Calculate appropriate refunds for the student who withdraws or changes enrollment status during the academic period, and re-submit corrected information via the student's SAR;
12. Maintain appropriate fiscal records for all Pell Grant recipients;
13. Prepare cumulative data on Pell Grant disbursements for the annual FISAPP form;
14. Review all Pell Grant data and reconcile discrepant information.

15. Perform validation on selected applicants, including requesting appropriate documentation, reviewing documentation in conjunction with the individual student's SAR, and requesting re-submission of the SAR for corrections, if appropriate;
16. Reconcile all student payment data at the completion of each fiscal year with Department of Education records.

In addition to the sixteen listed steps, the 1984-85 Pell Grant Delivery System required each institution to do the following:

1. Provide payment information on each eligible student by completing the appropriate grids on each SAR Payment Document, using a No. 2 lead pencil (unless the institution normally submits this information via computer tape);
2. Submit any changes to individual students' payment information using the same process;
3. Reconcile each group of SAR Payment Documents upon return from the Department of Education.

APPENDIX B


 UNITED STATES DEPARTMENT OF EDUCATION
 OFFICE OF THE ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

 STUDENT
 FINANCIAL ASSISTANCE
 PROGRAMS

7 APR 1982

Dear Colleague:

On March 17 we began the 1982-83 Pell Grant processing cycle. We will again be striving to provide students and the financial aid community the information and services needed to operate the Pell Grant program. We must advise you, however, that because of severe budget constraints, the Department is making several changes to the current processing system which will reduce some services previously provided to students, institutions, and state agencies.

The Department is taking these actions because of the absolute necessity to maintain fiscal restraints on cost growth in our contract activities. Determining which services could be eliminated and/or curtailed has been difficult. In many instances, the changes which are described in more detail below involve modifying a current procedure to make it more efficient, such as sending rosters only to institutions which have requested them; or eliminating certain "courtesy" services, such as returning extraneous materials which students frequently include with their applications rather than simply disposing of them at the processing center. Specifically, the changes to be made are in the following areas:

- extended turnaround time
- telephone service
- sixty-day reminder Student Aid Report (SAR)
- state agency and institution rosters
- extraneous materials
- postage on return postcards

Extended turnaround time. During the late spring and early summer of each processing cycle, the volume of applications and corrections to be processed is much higher than any other time of year. In order to reach contractually mandated turnaround times, the contractor has had to hire additional staff and/or pay overtime wages, resulting in significant government incurred expenses. In an effort to avoid these costs, the Department has modified the contract requirements in order to maintain a "steady state" level of effort during the processing peak. The contractor will have longer to process the peak volume within the contract turnaround time specifications and will therefore not hire additional staff or pay overtime. This may mean applicants may experience slight delays in receiving their Student Aid Reports (SARs). However, normal processing turnaround time should be achieved by mid to late August for applications, and early September for corrections to SARs.

400 MARYLAND AVE. SW WASHINGTON DC 20302

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Telephone services. The current toll-free information service will be eliminated and replaced by commercial service. The SDC toll-free numbers (800/423-6932, 800/352-8671 for callers in California, and 800/423-6872 for callers in Alaska and Hawaii) will be disconnected on or about June 1, 1982. However, operators will be available at the commercial number 213/820-2800 to answer questions on application processing.

We realize that this toll-free service has been helpful to many students and institutions. Indeed, our central processing contractor has answered over 1 million calls since February 1981. Nonetheless, the costs associated with the toll-free lines make it necessary to convert to commercial lines. We should note, however, that the same information services will continue to be available except, of course, that telephone calls to our processing center will be paid for by the caller.

Sixty day reminder SAR. Student Aid Reports (SARs) will no longer automatically be sent to students who have not responded to the rejected SAR which they received sixty days earlier. Currently, these students are reminded that they must provide additional information before an aid index can be calculated for them.

State agency and institution rosters. The number of times which rosters will be produced during the 1982-83 processing cycle has been reduced to 18 productions rather than the 26 productions we have offered in the past. Information packets will be mailed shortly to all state agencies and institutions. Each information packet includes a request form to be completed by the institution or state agency. Rosters (paper or tape) will not be sent to state agencies or institutions which have not submitted a request form after the first four or five scheduled productions. Formerly, all institutions automatically received paper rosters. Obviously, in order for us to achieve the savings which enactment of this measure is projected to achieve, institutions and state agencies who do not absolutely require and, for that matter, make use of these products should not request continuation of this service.

Extraneous materials. In the application instructions, students are told not to send additional materials with their applications. Nonetheless, approximately 30 percent of the applications and corrected SARs received at the processing contractor have some type of "extraneous" material included with them. In the past, the contractor has returned the material to the student. We have instructed our processing contractor to shred any material not used to process the form. Only documents used in making a judgment related to processing will be kept. No documents will be returned to the student.

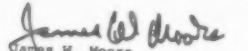
Postage on return postcards. In the past, the contractor put postage on return postcards sent by students with their applications, although students are instructed to affix a stamp on the postcard before enclosing it with their application. From the time of this modification in our procedures, those who include the postcard without the stamp will not have the postcard returned to them.

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We are sure we can count on your support in our efforts to save tax dollars in the operation of the Pell Grant processing center.

Sincerely,


Edward M. Elmendorf
Deputy Assistant Secretary for
Student Financial Assistance


James W. Moore
Director, Student Financial
Assistance Programs

APPENDIX C

PROGRAM: Pell

SECTION: 41(a)(1)(A)

CURRENT STATUTE:

Section 411. (a)(1)(A) The Secretary shall, during the period beginning July 1, 1972, and ending September 30, 1985, pay to each eligible student (defined in accordance with section 484) for each academic year during which that student is in attendance at an institution of higher education, as an undergraduate, a basic grant in the amount for which that student is eligible, as determined pursuant to paragraph (2).

SUGGESTED AMENDMENT:

Section 411(a)(1)(A) The Secretary shall, during the period beginning July 1, 1972, and ending September 30, 1991, advance to each eligible institution such sums as may be necessary to pay to each eligible student (defined in accordance with section 484) for each academic year during which that student is in attendance at an institution of higher education, as an undergraduate, a basic grant in the amount for which that student is eligible, as determined pursuant to paragraph (2). Such sums shall be advanced to eligible institutions prior to the start of each payment period and shall be based on an amount requested by the institution needed to pay eligible students. Nothing in this section shall be interpreted to prohibit the Secretary from paying directly to students an amount for which they are eligible, in such cases where the eligible institution participates under the alternate disbursement system.

APPENDIX D

PROGRAM: Pell

SECTION: 411(a)(2)(A)(ii)

CURRENT STATUTE:

(ii) In any case where a student attends an institution of higher education on less than a full-time basis during any academic year, the amount of the basic grant to which that student is entitled shall be reduced in proportion to the degree to which that student is not so attending on a full-time basis, in accordance with a schedule of reductions established by the Secretary for the purposes of this division. Such schedule of reductions shall be established by regulation and published in the Federal Register not later than January 1, 1981, October 1, 1981, and on October 1 of each succeeding year.

SUGGESTED AMENDMENT:

(ii) In any case where a student attends an institution of higher education on less than a full-time basis during any academic year, the amount of the basic grant to which that student is entitled shall be reduced in proportion to the degree to which that student is not so attending on a full-time basis, in accordance with a schedule of reductions established by the Secretary for the purposes of this division. Such schedule of reductions shall be established by regulation and published, with the schedule of payments for a student enrolled full-time, in the Federal Register not later than February 1, 1986, and on February 1 of each succeeding year.

APPENDIX E

PROGRAM: Pell

SECTION: 411(b)(3)(A)

CURRENT STATUTE:

(3)(A) Payments under this section shall be made in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purposes of this section.

SUGGESTED AMENDMENT:

(3)(A) Payments under this section shall be made in accordance with regulations promulgated by the Secretary for such purpose, and the requirements of this subpart, in such manner as will best accomplish the purposes of this section. Such regulations shall include a provision to enable an institution, at its option, to recalculate a Pell Grant award for a student for changes in circumstances or an error in application data that would affect that student's award eligibility. Nothing in this section shall be interpreted to allow the Secretary to require institutions to report to the Department of Education or its processor such changes as may result from a recalculation or a change

ADDITIONAL TESTIMONY

OF

PAUL M. OREHOVEC
ASSOCIATE DEAN OF STUDENTS/
DIRECTOR OF FINANCIAL AID

THE COLLEGE OF WOOSTER
WOOSTER, OHIO

BEFORE THE
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
UNITED STATES SENATE

Questions for Mr. Orehovec - from Senator Lowell Weicker

Question - If the Department of Education's Central Pell Grant Processor were eliminated, what would your suggestions be as to how the Department of Education could effectively monitor Pell Grant Awards?

Response - Let me start my response by admitting that I am not a systems analyst. As such, I am probably not aware of all the ramifications of the recommendation I am about to suggest. At the same time, I believe there is merit in first developing the general concepts of an approach. Then, at a later time, let the systems analyst inform us how the approach could be put into action.

It seems to me that there are three primary partners that have special needs in any system we develop. First, there is the federal government which needs a system that can control the tax dollars that are being provided. There is a need for statistical data to determine (1) who is receiving Pell Grant funding (information regarding characteristics of applicants and recipients) a-d (2) how much is being spent (including budget projection capabilities).

The second primary partner in the system is the student who needs to know how much he/she is eligible for and a method for convenient payment. The third partner, the educational institution, needs a smooth method of processing the paperwork and a timely disbursement process.

The model I conceptualize is one in which any approved Multiple Data Entry (M.D.E.) processor could provide a Student Aid Report including the eligibility index based on data provided. Educational institutions would be permitted to function as M.D.E. processors as well as service agencies. There would be no central processor, but there would be a national data bank. The M.D.E. processor would forward data to the national data bank via computerized communication. The M.D.E. processor's could use the Social Security number and the date of birth as the identification number for transferring records. This would provide initial data for the Department of Education.

M.D.E. processors, especially individual institutions, would be permitted to change student data on the national data bank via computer. These changes would be based on more accurate data than the processors (especially institutions) might have. This would ensure timely changes to the data bank. Institutions would still be required to validate data on the Student Aid Report. They could make corrections directly to the national data bank.

Once a Student Aid Report is completely validated, the institution could code the student file in the national data bank and disburse Pell Grant funds.

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Observations of approach:

1. The national data bank would provide the information needed by the Department. Because corrections would be made more quickly, the data bank would be more accurate than the current system. In addition, students who apply for Pell, but who never show up for college could be located more easily.
2. Since the data bank would have more accurate information, Department projections of expenditures might be more accurate. In recent years, their estimates have not been very close even with the central processor.
3. Does the Department need to review all applicants' files when making projections? It seems to me that a good research analyst could develop a sampling approach which would provide accurate projections. Again, even with the central processor, Department cost projections have not been accurate. Perhaps, with a new approach that includes a quicker response time, the Department's estimates could be more accurate.
4. Multiple Data Entry processors could generate a Student Aid Report as a part of the receipt to filer which is currently being provided by most agencies.
5. There should be significant cost savings to the government if the central processor is removed and the government would no longer be responsible for generating a Student Aid Report. Of course there would be expense for a national data bank, but this should be substantially less than the cost of the current system.
6. If the national data bank concept works for Pell Grants, then the next step might be to use this communication network to gain information on other Title IV student aid programs. This would improve the government's research capabilities significantly. It would also assist educational institutions with transfer of student aid information and quality control.
7. Some provision would be necessary so that only the first M.D.E. processor to report a student's data could provide "original" Pell Grant application information on the national data bank.

I believe, with today's computer programming capabilities, this provision could be worked out.
8. Some provision for submitting a "paper copy" of the corrected S.A.R. would need to be retained for the smaller aid offices which might not have the computer capabilities to communicate with the national data bank. With changing technology, I believe the number of schools falling into this category would be minimal.

A very small staff at the national data bank might be established

to accept paper-copy S.A.R.s from these institutions and generate a revised S.A.R. For these few schools, the new system for S.A.R. corrections would be similar to the current system. Another approach would be for the schools (or students) to send corrected S.A.R.s back through the M.D.E. processor who originally generated the S.A.R.

Question - What are the potential abuses of decentralization?

Response - The primary area of abuse with a decentralized system is duplicate awards to the same student. All a student needs to do is use different identification numbers (Social Security, date of birth, etc.) and apply to several colleges. However, this can happen in the current system also.

I would prefer to point out areas of abuse in the current system which this new system could prevent. The national data bank concept is the key, along with timely correction capabilities. The individual aid office usually has the most accurate information regarding application data elements. Corrected information is almost instantaneous. If a prospective student is applying to three colleges and one of the colleges ascertains that a correction is needed on the student's Pell Grant data base, then it can make the appropriate adjustment. Because the correction is made on the national data bank, then the other two schools are automatically made aware of the change. Perhaps the correction could be logged so that if some school needs to find out why the correction was made, school (or M.D.E. processor) identification could be associated with the change.

A second area of assistance could be with the transfer student. By calling up a student's file at the national data base, accurate data can be obtained by the school. Duplicate dates of attendance, corrected income data, Pell disbursements and other information could assist the college in its effort to maintain quality control.

Questions from Senator Hatch to all witnesses at Higher Education Reauthorization Hearings:

Question - What is the proper division of responsibility between student, parents or other family, educational institution, the private sector, and government in financing post-secondary education?

Response - I have no specific response to this question. However, there was a time when the term "partnership" was used in financial aid. There is concern today, for my institution, that the partnership is changing. The burden of financing a Wooster education has fallen on the shoulders of the college and its students. Let me provide some data:

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Table #1

PACKAGED AID TO MEET DEMONSTRATED NEED

<u>Year</u>	<u>Comprehensive Fee</u>	<u>Grants</u>	<u>Loans</u>	<u>Work</u>
1980-81	\$ 6,950	\$2,874,778	\$ 658,614	\$ 698,525
1985-86	11,245	4,700,191	1,670,914	736,641

Table #2

PERCENT OF GRANT FUNDS NOTED IN TABLE #1 BY SOURCE

<u>Year</u>	<u>Federal Title IV</u>	<u>College of Wooster</u>	<u>Other</u>
1980-81	19%	65%	16%
1985-86	11%	73%	16%

Table #1 shows that we have attempted to increase grant expenditures as costs have increased. However, the source of increased grant assistance to needy students has been from The College of Wooster. In 1980-81, the total funding for our needy students from Pell Grant and SEOG amounted to \$515,109. In 1985-86, we estimate that funding from these two programs will amount to \$520,000.

I do not see how the College can continue to increase its funding at this alarming rate. What this means is that students will need to take out larger loans or we will not be able to meet the need of all our students.

THE COLLEGE OF WOOSTER

Wooster, Ohio 44691

October 11, 1985

Senator Robert T. Stafford, Chairman
 Subcommittee on Education, Arts and Humanities
 SD-428 Dirksen Senate Office Building
 Washington, D.C. 20510

Dear Senator Stafford:

On September 12, 1985 I presented testimony regarding the Pell Grant program. During the hearing, Senator Pell requested that I give some thought to the Pell Grant Application Form and forward my comments to the subcommittee. I have had an opportunity to review the current application and would like to provide the following thoughts:

1. First of all, I believe it is important for all of us to make a distinction between eligibility for the Pell Grant versus assessing a student's and family's "ability to pay" for education.
2. I believe it is important to note that for many students, especially the neediest, the Pell Grant represents only one form of financial assistance for which application is being made.
3. I believe it is imperative to understand that some families, and often-times the neediest, have rather simple financial backgrounds. On the other hand, there are also needy students who have rather complicated financial backgrounds.
4. With the understandings of #1, #2 and #3 above, I would recommend that we seriously consider a system which would try to accommodate all of the different circumstances that might develop. On one hand, we need a simplified form for the student who has a simplified economic background. Conversely, we need a more comprehensive form to take into consideration the students that have a more complex financial background.

Additionally, we need to have a system which accommodates the student that will be applying for a Pell Grant only, and a system that can accommodate the student that will be receiving not only the Pell Grant, but other federal funds, state funds, and institutional financial assistance.

With all of this in mind, would it not be possible to consider keeping the multiple data entry concept? This would accommodate the schools and state systems that are also providing assistance. From the student's standpoint, this makes the system simpler, if for no other reason than there may only be one application for financial assistance. This application could assist in determining what the student's financial need is as well as outlining the student's eligibility index for various forms of financial assistance.

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Senator Robert T. Stafford
October 11, 1985
Page 2

Within the multiple data entry system, could we not start with a very simple application which would be completed by families who are either applying for the Pell Grant only or who have very simplified economic backgrounds? This core document might consist of no more than eight to ten data elements. In effect, it would be geared toward the family that currently completes the 1040EZ tax return.

For the family that has a more complicated economic situation, but may still have need for financial assistance, the core document along with a more sophisticated application document could be required. At many institutions, this is happening already when determining the financial need for institutional dollars.

I trust that this concept, although not new, will provide some food for thought. Please let me know if I can provide further information. I appreciated having the opportunity to appear before you, and I would be more than pleased to respond to any questions or proposals that you and your staff develop.

Yours truly,



Paul M. Orehovec
Associate Dean of Students
Director of Financial Aid

PMO/rb

Senator STAFFORD. Thank you very much. Miss Dixon, we will be glad to hear from you.

Ms. DIXON. Thank you. Mr. Chairman, Senator Pell, I thank you for this grand opportunity to testify before you this morning.

May I introduce myself as LaVerne Dixon, a sophomore student at Prince Georges Community College. I am also a recipient of two financial aid awards, a Pell grant and a senatorial scholarship.

I wish to direct your attention this morning to the Pell Grant Program as well as share with you my personal views and experiences.

For the sake of time, I will not provide any great detail of the information, so you may refer to my written statement.

What would the United States be without education, and what would education be without a program such as Pell grant? May we therefore be reminded of the Higher Education Act of 1965 which was the United States first major step toward a program for primary and secondary schools.

Its primary purpose sought to strengthen the educational resources of our colleges and universities, as well as provide financial assistance to needy students from low-income families. This Higher Education Act included the Basic Educational Opportunity Grant, and was renamed in 1980 by the Congress in honor of Senator Claiborne Pell, founder of the program.

Senator Pell, I applaud you and thank you for your dream and your vision.

May I now give you a mild example of what it is like to be an independent student attempting to survive without financial aid. To be an independent student without financial aid is to live in an apartment having little food or no food at all.

It is to have your only heat come from the oven of a cooking stove. It is to wear one pair of shoes for 2 years, and to work a full-time job while attending classes on a lunch hour and in the evenings, immediately after work. This is a mild view.

Sacrifice is a too familiar word, especially to the independent student who does not receive adequate financial aid. My Pell grant award has allowed me to work 16 hours per week while taking 19 credit course hours at college.

I now have money to purchase food and to have proper shelter. The Higher Education Act of 1965 has been a marketable possession to the United States as well as to its recipients. The Pell Grant Program has aided people like myself to develop professional skills and new ideas through higher education. Additionally, the program can be considered as the masters and Ph.D. of education, in that one can relate to education in a more serious-minded manner. One can objectively stand back and survey past experiences and accomplishments.

Without programs such as Pell grant, America would become crippled and totally blind. The intellectual and professional growth of our youth would be impossible.

Please be informed that most independent students have nothing in front of them as well as nothing to fall back on. Without your support, our situations usually go from extremely bad to very much worse; so we slowly, patiently take an ulcer.

We shall think of ourselves as the blind; we cannot see our way without a walking staff. The Pell grant is that staff and you are our eyes.

It is only through your support that we can see our way clear. We are so very, very thankful for people like yourselves who are helping to shape our Nation through your assistance in educational programs.

I trust that we shall never forget the distinct purpose of the Higher Education Act of 1965, and even more, remember that while times may change, the benefits of a sound and quality education stay the same. I thank you and I would be pleased to answer any questions you may have.

[The prepared statement of Ms. Dixon follows:]

STATEMENT OF

LA VERNE DIXON

BEFORE THE

SENATE SUBCOMMITTEE ON

EDUCATION, ARTS & THE HUMANITIES

SEPTEMBER 12, 1985

Mr. Chairman, Honorable Members, and Staff of the Subcommittee on Education, Arts, & the Humanities, I greet you with high honor this morning and thank you for this grand opportunity to testify before you.

May I introduce myself as LaVerne Dixon, an industrious twenty-five year old woman. Presently I am a sophomore student at Prince Georges Community College (PGCC), where I am seeking an Associate of Arts degree in Arts and Sciences. Also, I am a proud recipient of two financial aid awards: (1) a Pell Grant, and (2) a Senatorial Scholarship, awarded by Senator Mike B.W. Donovan. I am extremely honored to have received and am grateful for both of these. Although, I am currently attending PGCC, by future educational goals are to obtain a Bachelor of Arts degree in Speech and Communications at Frostburg State College; thereafter, I plan to seek a professional degree.

My major intent is to address your attention to the Pell Grant Program, as well as share with you my personal views, experiences, and recommendations.

What would the United States be without education...and what would education be without a program such as Pell Grant? May we therefore be reminded of the Higher Education Act of 1965, which was the United States' first major step toward a program for primary and secondary schools. As its primary purpose, it sought to strengthen the educational resources of our colleges and universities, as well as provide financial assistance for needy students from "low-income" families. This Higher Education Act included the Basic Educational Opportunity Grant (BEOG), which was renamed in 1980 by the Congress in honor of Senator Claiborne Pell, former chairman of the Senate Education Subcommittee, and founder of the program. Senator Pell, I applaud you!

I can firmly say, without a shadow of a doubt, that if it had not been for my receiving financial aid through Pell Grant and scholarship, I would not be in a position to continue to pursue my education. I do not hesitate to make known how extremely blessed and obliged I am to have received financial aid from the Honorable Senator Donovan; and Pell Grant guidance from Ms. Alonia Sharps, Director of Financial Aid at Prince Georges Community College. It is with her help that I was lead to the Pell Grant Program. I praise both of them for their faith in me!

I presently have a full financial aid package, however my prior experiences leading up to this point had been somewhat of an embarrassing situation. May I give you an example of what it is really like to be an independent student attempting to survive without financial aid? When I first began my journey of seeking higher education, I had nothing except a dream, and a vision of one day being in a position where I could best utilize my skills to be of service to other people. I knew what I could become through education, so I was confident and determined to have courage to work to return to college on a full-time basis. While attempting to do that, at best, all I could do was to live in an apartment having little food and no heat except from the cooking oven of an electric stove. I would sit in front of my stove and study my course work with the assurance that "life would not always be this rough."

I am the fifth child of eight children from a welfare family, where only one has a college degree, so I could not have asked my family for money when I was in desperate need. Plus the fact that money was never an issue in my family...that is, because we never had any to discuss. The big issue was survival. As it was, I attempted to do just that...I begged

and borrowed money from whoever I could. I can clearly remember having for dinner some nights one slice of bread and a glass of water or nothing at all. At one time, all I had was one pair of shoes to wear for twenty-four months, which I did wear. I might add that after several months of wear, the bottom of my shoes looked exactly like my feet, because that's exactly what was seen when I lifted my feet off of the ground. I wish to also mention that I previously had to work a full-time job while attending classes on my lunch hour, and in the evenings immediately after work. "Sacrifice" is a too familiar word, especially to the independent student who does not receive adequate financial aid. Life would have been more valuable to me if I had been able to obtain a financial aid award.

Perhaps it may seem bewildering to make known some of my nightmare experiences, but I deem it to be of importance for you to be aware of the reality of this matter. It is however a mild view of how we, the independent students, really try and survive with little or no financial support from the Pell Grant Program.

On the other hand, at present, the Pell Grant to me is a valuable gift which is a key that has unlocked doors to my future success. By my receiving an award, I am now able to work sixteen hours per week, while taking nineteen credit course hours at college. I now have money to purchase food and have proper shelter. For the first time since my educational journey began, I am beginning to see the light at the end of the tunnel. It would have been utterly impossible to have reached this point in education without my Pell Grant.

In summary, the Higher Education Act of 1965 has been a marketable possession to the United States, as well as to its recipients. The Pell Grant Program has aided people like myself to develop professional skills

and new ideas through higher education. Additionally, the program can be considered the "Masters and PhD" of education, in that one can relate to education in a more serious-minded manner, and one can objectively stand back and survey past experiences and accomplishments. Without programs such as Pell Grant, America would become crippled and totally blind; the intellectual and professional growth of our youth would be impossible.

Please be informed that "most independent students have nothing in front of them, as well as nothing to fall back on. Without your support, our situations usually go from extremely bad to very much worse; so we slowly, patiently take an ulcer." We shall think of ourselves as the blind: we cannot see our way without a walking staff...the Pell Grant is that staff...and you are our eyes! It is only through your support that we can see our way clear! We are so very very thankful for people like yourselves who are helping to shape our nation through your assistance in educational programs. I trust that we shall never forget the distinct purpose of the Higher Education Act of 1965...and even more, remember that while times may change, the benefits of a sound and quality education stay the same!

Thank you and may God bless you. I would be pleased to answer any questions you may have.

Senator STAFFORD. Thank you very much, Miss Dixon. I had earlier intended to ask you all what the effect would be of eliminating the central processor in the Pell Grant Program, but I think that has been adequately covered already. So that eliminates one question on my part.

Let me ask you, Miss Dixon, on the basis of your experience, do you think that you are getting a good education at the higher educational level today?

Ms. DIXON. Yes, sir. I would agree with your statement.

Senator STAFFORD. And of the other two, your impression although you are more in—well, one of you is a dean as well as administrator of aid, so I could ask this question. Do you feel that students are getting their money's worth in college education today? I guess that is the question I would like to ask.

Mr. OREHOVEC. I do not think there is any question but yes.

Mr. VIGNONE. I would agree.

Senator STAFFORD. Thank you. Your brief answers would do credit to the State I come from, where Calvin Coolidge is still considered a major figure in length of speech. Senator Pell.

Senator PELL. Thank you very much, Mr. Chairman, and Miss Dixon, I very much appreciate your sentiments. One question I would like to ask all three of you, and that is, do you think that the forms that have to be filled out to get the grant aid are too complicated, and do you have any thoughts as to how they can be simplified and still achieve necessary information results? Let us start with Mr. Vignone.

Mr. VIGNONE. Yes, thank you, Senator Pell. Yes, indeed, they are, and one of the major problems that we have is that the communication link to nontraditional students is very poor, whereas a high school student may at least have a high school counselor's assistance in completing what is obviously a technical form.

A nontraditional student, a student such as many of those who come to us, look at it as if it is printed in Sanskrit. And this is despite the efforts of the Department. I think the Department at times has been somewhat less than adequate in its response to those concerns, but at least some attempt has been made to simplify it but there is a long way to go.

Senator PELL. How would you simplify it?

Mr. VIGNONE. I would simply it by rewriting the instructions in English and putting together—

Senator PELL. Could you repeat that.

Mr. VIGNONE. I would just simplify it by writing the instructions in clear, simple English, and to achieve that goal I would deal with a group of financial aid administrators and counselors that deal with students with these questions, who can indeed provide a first-hand response and feedback, and students such as our witness today, who can respond to the confusion that they see and that they feel from students with those forms and the instructions.

Senator PELL. Thank you. Mr. Orehovec.

Mr. OREHOVEC. Yes. I am most concerned about the confusion that we have created with, not only the extent to which our applications, but also, the multiplicity of applications because at least at my institution, it is a rare student that has one type of aid.

That student, because we are high cost, probably has four, five, and sometimes more types of aid, multiple application processes, and therefore, it is oftentimes that intermingling that is the frustrating, confusing part, much more so than the Pell grant application itself.

I guess I would like to see as much as possible, a comingling of application processes wherever possible, certainly within the Federal, but even working cooperatively with State and institutional.

I do think multiple data entry in that system for the most part works fine, but we can go even further in that approach.

Senator PELL. Thank you very much. Do you think at least in the Federal program, there should be a unified need analysis, that that could be worked out? Or because of the requirements of the law, there would have to be differences?

Mr. OREHOVEC. I have got somewhat mixed emotions on that, Senator, and I say that because my response would depend on the flexibility I have as an aid administrator in sitting down with the student and determining what that student's real need is.

With the Pell grant, I feel like I have very little flexibility. I think when I sit down with a student or a parent, it goes beyond the dollars and cents figures that are on a need analysis document.

You start to learn from the gut what the student is going through. The campus-based programs, in their approach and their application process, give me much more flexibility to work with that student, to take into consideration those unusual circumstances that happen to a student.

I do not sense I have that with the Pell grant. It is much more, cut, dry, send it in, send it back; we do not have the opportunity to alter any of the figures, even if we know the figures are wrong.

So I would not, in an ideal world, mind a common application, if you will, but only, only if I, as a professional aid administrator can work with the student and have that flexibility to work within that process.

Senator PELL. And Miss Dixon, what would be your reaction?

Ms. DIXON. Thank you, Senator Pell. I feel that the application can be simpler. I did not have a problem understanding what was written, not, excluding the directions; but, however, I did have to refer to my financial aid director several times because the information listed was, in my opinion, technical to a degree.

I look back and I think, if every student had to go to a financial aid director for that type of assistance, then of course their job would not get done.

So that is my opinion. I believe if it were a little simpler, and the technical information would be limited, that students would have no problem in filling out the forms.

Senator PELL. I would add here, that if any of you, on reflection, have any specific thoughts, I would hope you would send them into the chairman of the subcommittee, because we will relay those to the Department of Education and try to take advantage of your thinking in that regard. Thank you very much.

Senator STAFFORD. Thank you, Senator Pell. For the sake of our members who are not able to be here this morning, I would ask if you would be willing, also, to respond to some written questions if they were asked?

Mr. OREHOVEC. Certainly.

Mr. VIGNONE. Yes.

Ms. DIXON. Certainly.

Senator STAFFORD. Thank you very much. Personally and on behalf of the committee, let me express my appreciation to all three of you for coming here and helping us as we embark on this difficult task ahead of us, and, with that, the committee will stand adjourned until 2 o'clock.

[Whereupon, at 11:18 a.m. a luncheon recess was taken, the hearing to resume at 2 p.m., the same day.]

AFTERNOON SESSION

Senator STAFFORD. The Committee will please come to order.

This afternoon we will hear testimony regarding the campus-based programs that provide student financial assistance. We will also receive testimony on the Cooperative Education Program, title VIII of the Higher Education Act of 1965.

I expect at some point Senator Nickles will be present and will testify on behalf of S. 1537, Higher Education Satisfactory Progress Act of 1985, and possibly Senator Grassley will be testifying on S. 1338, Cooperative Education Act of 1985.

But at the moment, in the interest of conserving the time of the committee and in consideration of the distinguished witnesses who are here, we will go ahead with the first of our two panels.

May I remind the members of both panels who may be present, that we are forced to limit witnesses, and I always feel badly to have to say this, to 5 minutes for oral presentation. Statements which may be prepared for the committee will be placed in the record as if read, and any addenda thereto, that does not comprise a book, will also be made part of the record. And I will reserve to the committee members who are not able to be here this afternoon because we are approaching another vote on the South African issue, I will reserve to them the right to submit questions in writing to the members of the two panels, unless a member of one or more of the panels objects to that procedure when the time comes.

Having said that and knowing that we will be interrupted in about 25 minutes, we will start, and I would invite the first panel to come to the witness table.

Dr. Hackney, the president of the University of Pennsylvania. Mrs. Genaw—and I apologize for the pronunciation—who is a student at Detroit Engineering Institute. Miss Ivette Santiago who is a student at Princeton University.

And we will forebear for a minute now and give Senator Nickles, who arrived in the nick of time. Why do you not stay at the witness table and Senator Nickles, why do you not speak from right up here, if you would care to, as a member of this committee.

Senator NICKLES. That will be fine.

Senator STAFFORD. We will invite Hon. Don Nickles, U.S. Senator, to make his statement.

STATEMENT OF HON. DON NICKLES, A U.S. SENATOR FROM THE
STATE OF OKLAHOMA

Senator NICKLES. Well, thank you, Mr. Chairman. I apologize for being about 6 minutes late. I got hooked into presiding and that kind of jocked me back a little bit. But I want to compliment you on the hearings that you are having today, and I am guessing for a couple of days, looking at the agenda.

The hearing on reauthorization of the Higher Education Act I think is important, and looking at some of the experts that you are having today and other days, I think is very commendable, and I look forward to hopefully participating, and if not participating, reviewing some of the hearings.

I come before the subcommittee today to ask that you consider Senate bill 1537, the Higher Education Satisfactory Progress Act of 1985, be considered for inclusion in the reauthorization bill that would be reported out of the subcommittee.

Senator Pell and I are both sponsoring this legislation. We introduced it in 1982 as well. Knowing that this major reauthorization is going to take place in Congress, we are convinced that now would be a good time to act on this legislation.

I am also pleased to say that Senators Thurmond and Wallop and Cochran are also cosponsors of this bill. The substance of the bill is simply this: That each student receiving Federal financial aid through the Department of Education must maintain a C average or its equivalent.

Current law requires each educational institution to verify that the student is in, quote, "good standing," before his or her aid is continued from semester to semester.

The educational institution is allowed to define exactly what good standing means. Unfortunately, there have been problems with this open-ended definition. In 1981 the General Accounting Office published a report which found evidence of serious mismanagement of student aid programs in this area.

GAO visited 19 schools and looked at the transcripts of almost 40,000 students receiving Pell grants. Almost 20 percent of those students had less than a C average. Ten percent had less than a 1.5 cumulative grade point average.

Because of this open-ended opportunity for abuse, I believe that we need to have a more specific standard for continuing Federal aid to college students.

Senate bill 1537 would ask each institution to review a student's record after 1 year of attendance at school. Instead of simply verifying that the student is in good standing, as they do now, the institution would need to verify that the student has a cumulative grade point of 2 or its equivalent, if the school does not use the standard four point grading system.

If a student has maintained passing grades, they are again eligible for aid. If they have less than a C average, then they are placed on a one grading period probation. At the end of that probationary grading period, the student's records are again reviewed, and if they have less than a C for that period as well, they will lose eligibility for student aid.

If they achieved a C for that grading period, then they will continue to receive aid. We also have provision for the student who is experiencing personal difficulties called an undue hardship clause.

This allows the educational institution to give the student another probationary period, if it determines that the student has had to contend with unusually severe circumstances during the academic period in question.

Examples of such circumstance might be the death of a close relative or a serious personal problem, or injury.

I believe that this gives the proper flexibility to the standard, so the individual circumstances are allowed without opening up the system for continued abuse.

In addition, we also want to keep students who have lost eligibility highly motivated by allowing them to reearn their way back into the program. If a student reestablishes his academic commitment by maintaining a C average for two consecutive grading periods, he may again apply for Federal assistance.

Mr. Chairman, I will just ask that the balance of my statement be entered, but, it may not be perfect but I think we would help eliminate some of the abuses that are in the system, and help better use the limited amount of funds that we have in higher education, directly to those persons who are really willing and committed to higher education.

So I look forward to working with you and Senator Pell, and I'm really pleased that he is a cosponsor on this legislation. He has worked on it going all the way back to 1980, and so I appreciate your cooperation with me today and look forward to working with you in the future.

[The prepared statement of Senator Nickles and additional material supplied for the record follow:]

Senator Nickles Statement/ Satisfactory Academic Progress/ 9-12-85

Mr. Chairman and Members of the Education Subcommittee:

I would like to thank the Chairman, Mr. Stafford and the ranking minority, Mr. Pell, for giving me a moment to address the subcommittee on a bill which the Senator from Rhode Island and I are sponsoring.

Before I get into that, however, I would like to commend the subcommittee for the extensive hearings that they have planned on the reauthorization of the Higher Education Act. The programs included in this legislation are highly significant to the students, families, and universities of all of our states. I am glad to see the work being done here to examine and improve, where appropriate, the student loans and aid, as well as the other programs.

I come before the subcommittee to ask that S.1537, the Higher Education Satisfactory Progress Act of 1985, be considered for inclusion into the reauthorization bill that will be reported out of the subcommittee. Senator Pell and I first introduced this bill in 1982. Knowing that this major reauthorization was going to take place in this Congress, we were convinced that now would be a good time to act on the legislation. I am pleased to say that since its introduction, we have added three more cosponsors, two from our Committee, Senators Thurmond, Wallop, and Cochran.

The substance of the bill is simply this: each student receiving federal financial aid through the Department of Education must maintain a "C" average or its equivalent. Current law requires each educational institution to verify that a student is in "good standing" before his or her aid is continued from semester to semester. The educational institution is allowed to define what exactly "good standing" means.

Unfortunately, there have been problems with this open-ended definition. In 1981, the General Accounting Office published a report which found evidence of serious mismanagement of student aid programs in this area. GAO visited 19 schools and looked at the transcripts of almost 40,000 students receiving Pell grants. Almost 20 percent of those students had less than a "C" average. Ten percent had less than a 1.5 cumulative GPA.

Because of this open-ended opportunity for abuse, I believe that we need to have a more specific standard for continuing federal aid to college students. S.1537 would ask each institution to review a student's record after one year of attendance at school. Instead of simply verifying that the student is in "good standing", as they do now, the institution would need to verify that the student has a cumulative GPA of 2.0, or its equivalent, if the school doesn't use the standard four point grading system. If the student has maintained passing grades, they are again eligible for aid. If they have less than a "C" average, then they are placed on a one grading period probation. At the end of that probationary grading period, the student's records are again reviewed. If they have less than a "C" for that period, then they lose eligibility for student aid. If they have achieved a "C" for that grading period, then they will continue to receive aid.

We do have a provision for the student who is experiencing personal difficulties, called an "undue hardship clause." This allows the educational institution to give a student another probationary period if it determines that the student has had to contend with unusually severe circumstances during the academic period in question. Examples of such circumstances might be the death of a close relative or serious personal injury or illness. I believe that this gives the proper flexibility to the standard so that individual circumstances are allowed for without opening the system up for continued abuse.

In addition, we want to keep students who have lost eligibility highly motivated by allowing them to re-earn their way back into the program. If a student re-establishes his academic commitment by maintaining a "C" average for two consecutive grading periods, he may again apply for federal assistance.

I am sure that this proposal is not perfect. However, I do believe that it is an improvement over the current open-ended definition. We spend close to 8 billion in federal aid to students. I believe we have a serious responsibility to ask for some accountability for those funds. As one parent wrote me, "You have an excellent idea and I support it. In fact, when college aid is from family funds rather than federal funds, your idea is often followed." He tells how his son failed to achieve a 2.0 average and after several discussions with his family, decided to join the navy. Three years later the son returned to college and completed his degree. The father closed by saying, "I don't believe that anyone could accuse the family of not being loving and supportive of our son. At the same time, we were not stupid, either. I think the federal government would be free of guilt if it used the same rationale."

There may be questions that members of the Committee want to ask. In addition, my colleague, Senator Pell, may want to add his extensive knowledge on this subject. As subcommittee members know, the Senator from Rhode Island chaired a special committee of the federally created National Commission on Student Financial Assistance on the very topic of satisfactory academic progress. In addition, he introduced an amendment in 1980 which was in the same spirit as our legislation today. I appreciate his expertise and am pleased he will be a part of the subcommittee's deliberations on this matter.

I thank the subcommittee for this time and look forward to working with you in the full Committee.

DON NICKLES
OKLAHOMA

United States Senate
WASHINGTON, D.C. 20510

COMMITTEE
ENERGY AND NATURAL
RESOURCES
LABOR AND HUMAN
RESOURCES
SMALL BUSINESS

August 5, 1985

Dear Colleague:

On July 31, 1985, we introduced S.1537, the Higher Education Satisfactory Progress Act of 1985. This bill would establish an academic standard for students receiving federal financial aid. We feel that the enactment of this legislation is particularly important in light of the pending reauthorization of the Higher Education Act.

Background

Currently, there are no specific standards for academic performance applied to a student receiving federal financial assistance. Each postsecondary institution develops its own individual standard. When a student receives federal aid, the institution is asked only to verify that the student is in "good standing" according to its own standard.

GAO Report

Unfortunately, the Government Accounting Office has uncovered evidence that many institutions have inadequate standards and/or have failed to enforce the standards set. The GAO survey covered some 5800 student transcripts at 20 colleges across the nation. Included in the findings was information that about 20 percent of the federal student aid recipients had less than the 2.0 grade point average required for graduation, and about 10 percent had less than a 1.5 grade point.

While efforts within the postsecondary education community have been made to improve self-regulation in this area, we do not believe that the work has gone far enough. We are deeply concerned that the integrity of the federal student aid programs will be threatened if the present situation is allowed to continue.

Proposed Legislation

Accordingly, we have introduced S.1537, which is a very direct response to the problem with which we are confronted. It would apply to all federal student aid programs included in Title IV of the Higher Education Act, as amended.

If a student has less than a "C" average or its equivalent after one year of postsecondary work, then he or she would be placed on probation for the next grading period. If the student received an average of a "C" or better for the next grading period, then the probation would be ended. However, if a student failed to earn a "C" average during the probationary period, then he or she would no longer be eligible for federal aid.

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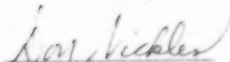
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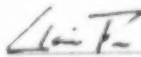
Two provisions addressing special concerns round out the proposal. First, any student who has been dropped from federal student aid programs because of poor academic performance can "re-earn" his or her way back into consideration by receiving a grade average of "C" or better for two consecutive academic terms. Second, students who, because of unusually severe situations, such as a sudden death or illness in the family, fail to earn the required grade point average may still receive federal aid if the institution indicates that the student has experienced "undue hardship."

In no way is S.1537 intended to be punitive legislation. It only insures that federal money would continue to be targeted to needy students who are serious and responsible in their pursuit of a postsecondary education.

We urge your cosponsorship of S.1537. If you have any questions about this legislation or if you would like to cosponsor, please contact Laura Clay of Senator Nickles' staff at 4-5754 or David Evans of Senator Pell's staff at 4-7666.

Sincerely,


DON NICKLES


CLAIBORNE PELL



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No. 105

Senate

By Mr. NICKLES (for himself and Mr. PELL):

S. 1537. A bill to amend title IV of the Higher Education Act of 1965 to provide standards for students for maintaining satisfactory progress as a condition for assistance under that title; to the Committee on Labor and Human Resources.

HIGHER EDUCATION SATISFACTORY PROGRESS ACT

Mr. NICKLES. Mr. President, today I am pleased to join with my distinguished colleague, Senator PELL, in re-introducing a bill which makes some commonsense changes in Federal student aid programs. This legislation establishes a requirement that students receiving Federal student assistance maintain a "C" average as a condition for continued eligibility.

CURRENT LAW

Presently, a student continues to receive student assistance from the Federal Government as long as the educational institution which he or she attends will confirm that the student is in "good standing." It is left up to the discretion of each educational institution to define good standing.

Unfortunately, this policy has resulted in serious mismanagement and use of Federal student aid resources. The General Accounting Office released a study in December of 1981 which found that 20 percent of the students receiving Pell grants at 19 randomly selected institutions had less than a "C" average, half of which—10 percent—had an "F" average. Clearly, this lax discretion and judgment by some educational institutions is significant enough to merit congressional action.

PROPOSED LEGISLATION

The legislation that Senator PELL and I offer today gives a student receiving Federal financial assistance a 1-year period to establish an academic record. At the conclusion of this first year, the student's grade point is reviewed. If the student has less than a "C" average, then he or she is given a warning measure by being placed on probation for one grading period. If, during that grading period, the stu-

dent again fails to make a "C" average or better, then he or she is no longer eligible for Federal financial assistance.

The legislation contains an "undue hardship" clause which provides for special difficulties that a student may encounter during the academic year. This clause is intended to allow the institution to give the student another probationary period if it determines that the student has to contend with unusually severe circumstances during the academic grading period in question. Examples of the kinds of extenuating circumstances which might be cited and accepted are the death of a close relative or serious personal injury or illness.

A student who, for academic reasons, has lost eligibility for Federal student assistance may again become eligible if he can demonstrate, in two consecutive grading periods, his academic commitment by maintaining a "C" average or better. Upon establishing such a record, he may again apply for Federal assistance.

Implementation of this legislation will simplify current law by creating a consistent and fair standard for students receiving Federal aid. It adds no new bureaucratic steps, in that an institution must already verify that a student is in good standing. This legislation simply asks for a GPA as part of that verification process.

PUBLIC COMMENT

In the 97th Congress, when we first introduced the Higher Education Satisfactory Progress Act, my office received a number of letters from throughout the country on this legislation. The correspondence represents a broad cross-section of people: teachers, student aid administrators, college presidents, students, parents, and taxpayers. By far, the vast majority of the mail was positive. I would like to share some of the comments and concerns which have been expressed:

A father in North Carolina—"You have an excellent idea and I support it. In fact, when college aid is from family funds rather than federal funds, your idea is often followed." This parent tells of his son's initial experience with college. The young man failed to

achieve a 2.0 average and after several discussions with his family, decided to leave college and join the Navy. Three years later the son returned to college and completed his degree. The father closed by saying, "I don't believe that anyone could accuse the family of not being loving and supportive to our son. At the same time, we were not stupid, either. I think the federal government would be free of guilt also if it used the same rationale. . . ."

Bacone College in Oklahoma—The Acting President of Bacone College, a school which has been "serving the American Indian since 1888" writes, "I believe your proposal makes a great deal of sense and will be of benefit to a number of students who need a second chance. . . ."

College Educational Plans, Inc., of Dallas, Texas—"I fully support your efforts to require an adequate grade point average for a college student to qualify for any federal government sponsored educational loan or grant. In 1975, our firm designed a loan program to provide college educational loans to dependent children of employees of corporations. . . . The loans did require a grade of B- or better. . . . My point in mentioning this to you is to relate to you the substantial improvement in the grade point average of our students when compared to the simple grant program before 1975. In general, and through 1977, approximately 30% of our students would have qualified as a B- or better student. Following the implementation of the 'Loan' program, the percentage now qualifying is closer to 85-70%."

Western Connecticut State College—The President writes, "I would be very comfortable supporting the bill that you described. . . ."

University of California, Santa Cruz—The Director of Financial Aid expressed concern on two points: First, how is a non-graded school system to be treated? And second, what about the student who is experiencing severe personal problems? I am happy to say that the legislation addresses both of those questions. The university that does not use the traditional grading criteria is asked only to verify that the student has achieved the equivalent of a passing grade, as determined by the institution. Second, the university is given the latitude to determine whether or not a student's inability to maintain a "C" average is the result of "undue hardship." If such is the case, then the student is given an additional probationary period to establish a passing grade average.

In addition, an article appeared in the Washington Post which quoted the president of Harvard University as suggesting that U.S. education grants be given only to students with reasonably good high school grades and college board scores. Those pupils, he said, are most likely to finish college. The legislation which we are introducing today does allow everyone a fresh start by giving any student 1 year to establish an academic record. However, the concepts which I believe that President Bok was stressing of accountability and responsibility on the part of students and of prudent use of

taxpayers dollars have been incorporated into this bill.

FISCAL IMPLICATIONS

Although there is no concrete figure as to the amount of financial assistance which can be redirected to more serious students, evidence indicates that it could be a very sizable amount. In the GAO's sampling alone, they found that 19.9 percent of the Department of Education aid recipients, 23.1 percent of the Social Security aid recipients, and 12.4 percent of the Veterans' Administration aid recipients had cumulative GPA's less than 3 or a "C" average. Even if this figure is not truly representative of all 7,726 schools that have students receiving Federal assistance, it indicates that a significant portion of the \$8 billion spent on student aid could be used more effectively.

In closing, I think it is essential that Congress do all that is in its power to once again earn the respect and confidence of the American people for the manner in which we spend their tax dollars. Elimination of wasteful or inappropriate programs is only a part of the answer. The rest is in analyzing and reforming, where needed, existing programs so that they are more cost effective and responsible in their use of tax dollars. This is the intent of the "Higher Education Satisfactory Progress Act of 1985." I am pleased that Senator FUL, who is one of the most highly respected Members of this body for his knowledge and activity in the field of education, has understood the importance of maintaining integrity and responsibility in the Federal student aid programs for some time now. In 1980, Senator FUL introduced an amendment which was in the same spirit as the legislation we are introducing today. In addition, in 1982, the Senator from Rhode Island and I introduced this bill and received a number of cosponsors and positive feedback. I am pleased that we are again taking up the issue at this time when the Higher Education Act is being reauthorized.

Since the publication of the President's Commission on Excellence in Education recommendations, attention has been focused with new vigor on the strengths and weaknesses of our educational system. Although there has been diverse opinion on a number of the Commission's proposals, there was one which found near unanimous support. That was the recommendation to raise the standards and requirements for college admission. The legislation which we are introducing today is meant to complement this proposal within the domain of Federal financial student aid programs.

I encourage my colleagues to examine our proposal, for I am convinced that what we have put forth today is a judicious and fair approach to directing student assistance to those students who not only need it, but who are serious in their determination to make the most of their educational opportunity.

I ask unanimous consent that the digest of the GAO's report be printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

STUDENTS RECEIVING FEDERAL AID ARE NOT MAKING SATISFACTORY ACADEMIC PROGRESS; TOUGHER STANDARDS ARE NEEDED

The Federal Government provides billions of dollars in student aid each year under programs administered by the Department of Education, the Veterans Administration, and the Social Security Administration. These agencies have widely varying policies regarding satisfactory academic progress of students receiving assistance.

In reviewing the academic progress standards applied to students at 20 institutions of higher education, GAO found that these standards were often inadequate and not always enforced. Although each of the schools had established standards, they were often poor measurements of academic progress. Some schools had not enforced the standards they had established, resulting in overpayments of more than \$1.2 million in Department of Education programs.

More stringent Federal requirements would alleviate many of the problems resulting from poor academic progress by students receiving aid.

SIGEST

Each year the U.S. Government provides billions of dollars in financial aid to students seeking a postsecondary education. While a wide array of assistance is available, the major programs are administered by the Department of Education (ED), the Veterans Administration (VA), and the Social Security Administration (SSA). These programs provided about \$7.8 billion in student aid during fiscal year 1980. (See p. 1.)

There are no uniform requirements among the three Federal agencies regarding satisfactory academic progress of students receiving financial aid. VA requires an institution to establish and enforce a reasonable policy on satisfactory progress and meet specific requirements set by law and regulation. ED also requires that an institution set and enforce a policy, but does not provide specific criteria. SSA does not impose standards for academic progress in its program since there is no requirement set by law. (See pp. 2 to 8.)

In visits to 20 institutions of higher education and a review of more than 5,800 randomly selected student transcripts, GAO found that many students receiving financial aid were not making satisfactory progress. Mainly this resulted from school standards that allowed students to remain eligible for aid without proving that they were moving toward a definite goal with adequate grades and at a reasonable rate. Some of the institutions were not even enforcing their own standards. (See p. 9.)

GAO conducted its review in response to concerns raised in previous reviews of student aid programs on the adequacy of standards for determining satisfactory academic progress. After this review began, the Chairman of the Senate Committee on Labor and Human Resources expressed an interest in the issue and requested GAO to prepare a report on its findings for the Committee. (See p. 8.)

STANDARDS ARE NOT ADEQUATE

An effective academic progress standard should consider all factors which affect a student's academic performance. However, many of the schools visited did not have reasonable requirements concerning such factors as minimum grade point averages (GPAs), nonpunitive grades, and the rate of movement toward completion of a program of study. (See p. 9.)

While the schools visited uniformly required a 2.0 GPA (on a 4.0 scale) for graduation, they normally set their standards for determining academic progress at considerably lower levels. This resulted in large numbers of students on financial aid with low grades. Overall, 19.9 percent of the ED aid recipients, 23.1 percent of the SSA aid recipients, and 12.4 percent of the VA recipients in GAO's samples had cumulative GPAs below 2.0. In many cases, the averages were below 1.5, or the equivalent of a "D-plus." (See pp. 9 to 12.)

The performance of many students in GAO's samples was distorted by their schools' overuse of nonpunitive grades—grades which have no effect on the GPA or do not count toward program completion. The schools often offered wide ranges of grades which had no effect on the measurement of progress. At two schools, non-punitive grades accounted for more than 40 percent of all grades assigned during a recent term. (See pp. 12 and 13.)

A common example of a nonpunitive grade is that assigned for a course withdrawal. The schools visited often allowed students to withdraw from a course without penalty far into the term. GAO found many examples of students who had withdrawn from courses, allowing them to maintain higher GPAs, but also adding to the time necessary to complete a course of study. During the spring term of 1980, more than 20 percent of the ED and SSA aid recipients in GAO's sample withdrew from courses so that the number of hours they took was less than the number of hours required under their aid programs. (See pp. 13 and 14.)

Other nonpunitive grades were given for courses not completed or later repeated. Incomplete grades were often carried on a student's record for an extended time and, in some cases, were never converted. This resulted in higher GPAs than would have otherwise been the case. In some instances, students were allowed to repeat the same course numerous times. (See pp. 13 and 16.)

Only 10 of the 20 schools visited had specific requirements concerning the rate of a student's academic progress, and these requirements were often ineffective. This led to instances where students stayed in school and on financial aid for inordinate lengths of time. Among the ED aid recipients sampled, 54.3 percent of those attending school on a quarter system and 61.5 percent of those on a semester system were behind in their studies. (See pp. 18 to 20.)

In general, fewer instances of poor progress were noted among VA aid recipients than either ED or SSA aid recipients. GAO believes that this is due to the more stringent requirements set by VA, including (1) prior VA approval of a school's academic progress standard and a student's course of study and (2) refusal to pay for courses outside of an approved course of study, from which the student withdrew, or which did not count toward program completion. Neither ED nor SSA has such requirements. ED officials said they do not believe ED has the statutory authority to issue regulations setting specific requirements. There are no statutory requirements for academic progress in the SSA program. (See pp. 3 to 8.)

STANDARDS ARE NOT ENFORCED

Nonenforcement of academic progress standards is a major problem. Nine of the schools visited were not enforcing their published standards. Three schools were not enforcing their standards for ED or VA aid recipients, five schools were not for ED aid recipients only, and one school was not for VA aid students only. SSA had no academic progress requirements. (See pp. 22 and 24.)

For the schools which had not enforced their standards for ED aid recipients, GAO estimated overpayments of about \$1.28 million. GAO did not project overpayments for VA recipients because the schools did not

have information on the amount of financial aid paid by VA. (See pp. 22 and 23.)

CONCLUSIONS

Weak and nonspecific Federal requirements on academic progress have led to abuse of the student aid programs, particularly those administered by ED and SSA. A uniform Federal policy is needed. Although VA standards set by existing legislation and regulations are generally adequate, standards are needed for the rate at which a student is progressing. GAO believes that ED and SSA requirements should be essentially the same as those set by VA. This would require changes to both authorizing legislation and program regulations. (See pp. 23 and 26.)

These changes would accomplish the following objectives:

Tighter academic progress standards would save Federal funds now being paid to students not making satisfactory progress.

Schools would encounter fewer differences in the requirements for administering the three agencies' programs.

Federal agencies would be able to better coordinate their efforts in setting academic progress requirements and monitoring their enforcement.

Also, students might be encouraged to enroll in programs which are more suited to their abilities and which they are more likely to complete. (See p. 26.)

99TH CONGRESS
1ST SESSION

S. 1537

To amend title IV of the Higher Education Act of 1965 to provide standards for students for maintaining satisfactory progress as a condition for assistance under that title.

IN THE SENATE OF THE UNITED STATES

JULY 31 (legislative day, JULY 16), 1985

Mr. NICKLES (for himself and Mr. PELL) introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

A BILL

To amend title IV of the Higher Education Act of 1965 to provide standards for students for maintaining satisfactory progress as a condition for assistance under that title.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Higher Education Satis-
4 factory Progress Act of 1985".

5 SEC. 2. (a) Section 484(a)(3) of the Higher Education
6 Act of 1965 is amended by striking out "according to the
7 standards and practices of the institution at which the student
8 is in attendance" and inserting in lieu thereof the following:

1 "in accordance with the provisions of subsection (c) of this
2 section".

3 (b) Section 484 of such Act is amended by adding at the
4 end thereof the following new subsection:

5 "(c)(1) For the purpose of clause (3) of subsection (a) of
6 this section, a student is maintaining satisfactory progress
7 if—

8 "(A) the institution at which the student is in at-
9 tendance, reviews the progress of the student at the
10 end of each academic year, or its equivalent, as deter-
11 mined by the institution, and

12 "(B) the student has a C average, or its equiva-
13 lent, as determined by the institution, for that academic
14 year.

15 If a student is not maintaining a C average for that academic
16 year, the institution at which the student is in attendance
17 shall, for the purpose of such clause (3), place the student on
18 probation for the next grading period. Subject to paragraph
19 (2), if the student does not attain a C average grade during
20 the probationary period, the student fails to meet the eligibil-
21 ity requirements of such clause (3).

22 "(2) Whenever a student fails to meet the eligibility re-
23 quirements of clause (3) of subsection (a) as a result of the
24 application of this subsection and subsequent to that failure
25 the student has a C average for 2 consecutive grading peri-

ods, the student may, subject to this subsection, again be eligible under such clause (3) for a grant, loan, or work assistance under this title, except that no such student may be placed on probation as described in the second sentence of paragraph (1).

“(3) Any institution of higher education at which the student is in attendance may, for the purpose of clause (3), waive the provisions of paragraph (1) or paragraph (2) of this subsection for undue hardship based on—

“(A) the death of a relative of the student,

“(B) the personal injury or illness of the student,

or

“(C) special circumstances as determined by the institution.”.

SEC. 3. The amendments made by this Act shall take effect for the first academic year, or its equivalent, as determined by the Secretary of Education, beginning after the date of enactment of this Act.

Senator STAFFORD. Thank you very much, Senator, and thanks for bringing that legislation to our attention.

Senator NICKLES. Thank you.

Senator STAFFORD. Now we will go ahead with the first panel, since we understand Senator Grassley will speak subsequently, and I think we will go in the order in which we announced your names, so Dr. Hackney, president of the University of Pennsylvania, you are at bat.

STATEMENT OF DR. SHELDON HACKNEY, PRESIDENT, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA; AVANELL GENAW, STUDENT, DETROIT ENGINEERING INSTITUTE, DETROIT, MI; AND IVETTE SANTIAGO, STUDENT, PRINCETON UNIVERSITY, PRINCETON, NJ

Dr. HACKNEY. Thank you very much, Mr. Chairman. I very much appreciate your invitation to appear here today on behalf of the University of Pennsylvania, and on behalf of the Consortium on Financing Higher Education, known to everyone, and loved by everyone, as COFHE.

As you know, COFHE is an association of 30 independent institutions concerned with maintaining and enhancing the opportunities of students from whatever economic circumstances to consider and select our institutions, and particularly not to be barred because of economic need.

I would ask, Mr. Chairman, if I might submit my written statement for the subcommittee record and briefly summarize it here so that there may be time for questions.

Senator STAFFORD. We would appreciate that. As I said earlier, all statements will be made a part of the record, automatically, for the panel members who are appearing here.

Dr. HACKNEY. Good; thank you. I will talk here, then, briefly, about the three campus-based student aid programs, the supplemental educational opportunity grants [SEOG's], college work study, and the national director student loans.

Federal student aid policy, as it has evolved since 1958, has involved, it seems to me, two cardinal principles. First, that no student should be denied access to a college education, that best suits that student's needs, and, second, that the burden of ensuring such access should be shared among parents, students, and institutions, and the public, represented by the Government.

The campus-based programs are essential elements of this enterprise. Indeed, campus-based aid often provides the margin which enables financially needy and academically capable students to choose a school like Penn, where tuition, fees, room and board, may exceed \$16,000 per year, worth every penny of course, but it is still a very big bill.

During the most recent academic year at Penn, more than 5,500 students, virtually one-third of our student body, benefited from \$12.6 million in campus-based student aid programs. If you take into account all aid programs, virtually 60 percent of our student body receives some sort of financial aid based on economic need.

So as I have suggested, these programs are critical to our students, and to millions of others throughout the Nation. They are

basically sound in structure but require some modification in their allocation and delivery mechanisms in order to make them even more effective in serving needy students.

Specifically, the formulas for allotting funds to States and institutions are greatly outmoded. Under the present system, as appropriations for campus-based aid has fluctuated over the years because of a patchwork of ad hoc arrangements, each State's funding can be sharply out of proportion to the change in appropriations. As a result, financially needy students in certain States run a considerable risk of seeing their aid decline, even if the total appropriation increases.

For instance, last year at Penn, we calculated that even though the appropriation increased by about 10 percent, our own students would have lost 30 percent of the funds available to them.

Each year the Appropriations Committee has sought to rectify this and been successful at it, this potentially massive problem, by holding harmless each institution's funding.

This problem can and should be rectified permanently in the reauthorization of the Higher Education Act. Second, SEOG funds should be limited to those with exceptional financial need. Students with the greatest financial need should have first access to limited SEOG resources in order to lower their debt burdens and afford such students a better prospect of attending the institution of their choice.

The definition of "exceptional need" should continue to include the factors of both family income and cost of education which have characterized the student aid programs since their inception.

I think that would be very important, to reinstall that test. In order to improve the targeting of SEOG to exceptionally needy students, and help institutions provide more grant aid to those students, the annual maximum grant should be increased to \$4,000.

As you know, an increase in the SEOG maximum would not require additional Federal appropriations, but would concentrate at the institutional level more SEOG dollars on those students who are deemed most financially needy.

This would make SEOG more truly a supplemental program. We also believe that the use of NDSL should be expanded to permit institutions to develop new methods that will allow institutions to leverage NDSL funds more effectively.

Such creative methods might include support of alternative, non-Federal loan programs, providing subsidies for such programs or needy students in such programs, or, providing additional grant or work funds for students who should not incur greater debt burdens. This latter suggestion parallels the currently allowable transfer of funds between the SEOG and college work study programs.

For instance, an example of this would be the Creative Financial Aid Loan Program that we started last year called the Penn plan which makes available loan funds at favorable rates to our students, not based on need necessarily, though it does aid some financially needy students.

Senator STAFFORD. Doctor, we have run into the red light here. Could you summarize in about a minute now.

Dr. HACKNEY. Sure. The other things that I wanted to mention simply were those things that would reduce the loan burden of stu-

dents because that does affect career choice, and those that would make Federal funds a bit more flexible, so that we could transfer them back and forth between grant and loan funds.

Thank you very much.

[The prepared statement of Dr. Hackney and responses to questions submitted by Senator Hatch follow:]

Testimony of
President Sheldon Hackney
University of Pennsylvania

before the

Subcommittee on Education, Arts and Humanities
Committee on Labor and Human Resources

United States Senate

September 12, 1985

Regarding the Reauthorization of the Higher Education Act

President Hackney's testimony is presented on behalf of
The University of Pennsylvania
and
The Consortium on Financing Higher Education

Mr. Chairman and members of the Subcommittee, my name is Sheldon Hackney and I am president of the University of Pennsylvania. I appreciate your invitation to appear before you today in order to testify on behalf of Penn, as well as on behalf of other member institutions of the Consortium on Financing Higher Education (COFHE), to testify on the reauthorization of the Higher Education Act. The Consortium is an association of thirty independent institutions concerned with maintaining and enhancing opportunities for students, regardless of socio-economic distinctions, to consider, select, and enroll at our institutions. Our membership is located in fourteen states across the country and as a group we currently enroll approximately 110,000 undergraduate students. In terms of total student enrollment - undergraduate and graduate level - Penn is the largest of the COFHE institutions, with more than 17,000 full-time students. A list of the membership of COFHE is attached to my written statement.

I particularly welcome this opportunity to comment on the three campus-based student aid programs---Supplemental Educational Opportunity Grants (SEOGs), College Work-Study (CWS), and the National Direct Student Loan program (NDSL). As it has evolved since 1958, Federal student aid policy has embodied two cardinal principles: first, that no student should, due to economic circumstance, be denied access to a college education which best suits his or her needs; and second, that the burden of ensuring such access should be shared among parents, students, institutions, and government. The campus-based programs, with their diverse mix of grants, loans, and work opportunities, are essential elements of this shared enterprise.

Indeed, campus-based aid often provides the margin which enables a financially needy and academically capable student to choose a school, like Penn or like other COFHE institutions, where tuition, fees, room and board may exceed \$16,000. During the 1984-85 academic year at Penn, more than 5500 students - virtually 1/3 of our student body - benefitted from \$12.6 million in campus-based aid, an average of approximately \$2300 per student.

* I would like to note that such charges represent only about 50% of the cost of educating and providing for a Penn student. The remainder is borne by the University - a contribution which is all too often a hidden part of the shared enterprise I mentioned above.

** Approximately two-thirds of this 1984-85 campus-based aid represents current Federal contributions; the remaining amount consists of University matching funds and our NDSL revolving fund.

Testimony of President Sheldon Hackney, September 12, 1985, Page 2

We have collaborated closely with other COFHE institutions to develop legislative recommendations for reauthorization of the student aid programs. As you review these proposals, we would be pleased to provide whatever additional assistance we can to the Subcommittee and your staff as you go about the task of strengthening all of the student aid programs. I shall be focusing my remarks this afternoon to those recommendations which cover SEOG, CWS, and NDSL but, because all of the student aid programs are so closely interrelated, I shall later mention our concerns about other programs as well.

As institutions that strive to offer educational opportunity to students from the widest possible range of socio-economic circumstances, we first urge the Subcommittee to maintain the basic structure of each of the three campus-based programs and to reject recommendations that would consolidate or eliminate any of the programs in the name of "simplification". Each of the three campus-based programs provides our institutions with a critical element of flexibility as we go about the task of packaging student aid awards. The loss of any one of the programs or any reduction in the flexibility which we currently enjoy would diminish our ability to provide a comprehensive package of grants, loans, and work opportunity to the more than 50% of students attending COFHE institutions who receive financial assistance. Having said this, we believe that modifications in the allocation and delivery of campus-based aid would enhance the ability of institutions to serve students more effectively.

As you are aware, Mr. Chairman, the current state allotment and institutional allocation formulas simply are not working as Congress intended. In each of the past several years, statutory language has required modification during the appropriations process in order to maintain funding equity for both states and institutions. We believe the time has come to make allotment and allocation procedures more equitable and to establish statutory provisions that contemplate both the implications of the 1983 Supreme Court decision governing the legislative veto, and the possibility that future appropriations for these programs may not be adequate to meet the demand for Federal student aid.

As was demonstrated by the need for additional NDSL funds in the FY 85 supplemental appropriation, the current state allotment formula does not treat students in all states equitably. Under the present system, as appropriations fluctuate, each state's funding for campus-based aid can be sharply out of proportion to the change in appropriations. As a result, financially needy students in certain states run a considerable risk of seeing their aid decline, even if total appropriations increase. In order to prevent such dislocations, the appropriations committees have annually, since 1981, undertaken to correct this potentially massive problem. Had they not done so, this year Penn students would have lost more than \$400,000 in SEOG funds alone. Students in hundreds of other institutions, both public and independent, in Pennsylvania, Vermont, and many other states, would have experienced similar losses of SEOG aid.

Testimony of President Sheldon Hackney, September 12, 1985, Page 3

Mr. Chairman, I especially thank you for your willingness to work with the appropriations committee to rectify this problem. It is a problem that I believe can and should be addressed permanently in the reauthorization process.

First, we would recommend the elimination of the state allotment system in favor of a distribution procedure whereby all eligible institutions would compete nationally, without regard to state borders, for funding under each of the programs. In order to achieve this goal, certain guarantees must first be adopted in the interest of fairness to assure that no state or institution is penalized by a change in funding allocation policy. In this regard, we would recommend that all institutions be guaranteed or "held harmless" at 100% of the funding level they received and used in fiscal year 1986. This guarantee would insure that each institution would be provided with funding at least equal to its most recent award level. Simultaneously it would insure that all states and territories would receive a 100% guarantee, since the state guarantee would be the sum of all institutional guarantees in that state for the designated fiscal year.

Second, in the event that any of the programs were to experience significantly reduced funding to the point where these guarantees could not be met, we recommend that a small percentage of the appropriation be set aside and used, as needed, to fund institutions new to a program. If appropriations are adequate to meet both the 100% guarantee and the needs of new institutions, such a reserve pool of funds would not be necessary.

Additionally, we would recommend that, in the event that appropriations become inadequate to meet the minimum guarantee of all institutions, the allocation procedure would insure that all institutional awards, (and states thereby) would be reduced proportionate to the reduction in the appropriations process, again with the modest reserve pool for new institutions still in effect. This provision would ensure that students in all institutions are treated equitably in the event of funding reductions.

When appropriations are sufficiently large to exceed all guarantees, the procedure for allocating additional funds must be overhauled in order to restore an equitable distribution, based on relative student need for campus-based funds at all institutions. Within the specific domain of the SEOG program, I would like to emphasize two concerns, one philosophical and one technical. On the philosophical side, we agree with others in the higher education community that the SEOG program would be given greater focus if the "exceptional need" criterion that was in the law prior to the 1980 amendments were reinstated. Thus we recommend that eligibility for SEOG funding be limited to those students with exceptional need, defined as any student whose family or independent student contribution is less than one-half the cost of attendance. Students with greatest need should have first access to limited SEOG funds in order to lower their debt burdens and so as to offer such students a better prospect of

Testimony of President Sheldon Hackney, September 12, 1985, Page 4

attending the institution of their choice. We cannot concur with a definition of exceptional need, as proposed by some higher education organizations, which ties such criteria to Bureau of Labor Statistics of poverty standards. Congress, in establishing both the campus-based and the Pell Grant programs, directed that eligibility be based on a need determinant which included factors of both family income and cost of education. Such a definition of "exceptional need" remains valid.

We also recommend, as a corollary to focussing eligibility on the neediest students, that the annual maximum grant be raised to \$4000, in order: 1) to encourage institutions to provide more grant aid to the most needy students; and 2) to reflect the fact that educational costs in both the public and independent sectors have increased significantly since the maximum was raised to \$2000 in 1980. As you know, an increase in the SBOG maximum award would not require additional Federal appropriations, but would enable institutions to target better their SBOG allocations to the neediest students.

On the technical side, we are concerned with the possibility of regulatory re-interpretation of the provision in the SBOG program in which institutional aid in the amount of "25 per centum of grants and awards" is subtracted from the SBOG need index. As a group of institutions that collectively spend in excess of \$200 million annually of our own institutional funds for grant aid, the Consortium membership has no quarrel with the purpose and intent of this provision. But it is disturbing to us that the clause mentions no date with respect to the base year in which 25% of institutional grant aid shall be counted, and a decision on the part of the Department of Education to move the year from its current 1977-78 base to a more recent date would have the effect of penalizing all institutions that have made significant strides in increasing their own grant aid commitment since that time. At Penn, for example, we provide \$19 million in institutional grant aid for our undergraduate students in the current academic year, a 150% increase since 1977-78. We do not believe that such a considerable effort, which represents almost five times the amount of grant aid, in the form of Pell Grants and SBOG, that our students receive from the Federal government, should be penalized.

Although my testimony has focused primarily on the allotment and allocation formulas and certain special concerns with the SBOG program, I want to emphasize in closing, Mr. Charman, that the College Work-Study and NDSL programs are no less important to us. Insofar as College Work-Study is concerned, except for certain modifications in the formulas, we believe it is a model federal program that should be expanded and funded at the highest possible levels. CWS is critically important as a mechanism which enables more than 3000 students at Penn, and millions throughout the nation, to finance their education without incurring increasing levels of debt.

Testimony of President Sheldon Hackney, September 12, 1985, Page 5

For the National Direct Student Loan program, we recommend that the NDSEL revolving fund be made a permanent financial aid resource at the institutional level and that additional flexibility be provided in the use of funds for financial aid and loan purposes. In the past, Mr. Chairman, COPPE has recommended that NDSEL be merged with other federal loan programs in the interest of uniformity and simplicity. But, in the current environment, we are convinced by the argument that today an institution requires the maximum degree of flexibility in order to develop financial aid policies and programs that meet the needs of students from so many diverse socio-economic circumstances. NDSEL continues to provide such an option.

It is in the spirit of developing and improving this flexibility that we also recommend that the use of NDSEL funds be expanded to permit institutions, within certain limits, to seek new uses of NDSEL funds that will allow us to leverage effectively these program dollars. An institution might, for example, make use of the funds in ways that: (1) assist in the development and support of alternative, non-federal loan programs; or (2) assist the neediest student by providing subsidies for such programs; or (3) in special cases would make additional grant or work dollars available to students who should not be in the position of assuming excessive debt burdens. In these and future times, all of us who provide financial aid to students must adapt by becoming increasingly creative and flexible. Such additional capabilities within NDSEL would assist us greatly in that effort.

As an example of what new capabilities might be possible with increased NDSEL flexibility, I would like to briefly mention our "Penn Plan". Two years ago, in an environment of unpredictability as to the direction of Federal student aid, the University of Pennsylvania developed this creative financing plan for helping students across the income spectrum meet the costs of a Penn education. The Penn Plan, backed by the University's endowment, provides low-interest financing for approximately 2000 of our undergraduate students. This has not been undertaken without considerable institutional costs for other activities of the university, but student aid is, and will continue to be, a principal priority for Penn. This is not a program that can currently be easily undertaken for all, or even many, institutions. But the kind of flexibility we have recommended for using NDSEL funds in creative ways, could help leverage non-Federal dollars for student aid and make programs like the Penn Plan more readily available.

Finally, Mr. Chairman, I would like to say a few words about the relationships among the federal grant and loan programs. We are deeply concerned with the eroding real value of Federal grant aid, and with the related effect of this real decline - the growing loan burdens being faced by our students as they quickly exhaust their maximum limits under the Guaranteed Student loan program and turn to supplemental borrowing to help them meet their costs. Increasing the maximum Pell Grant would be

Testimony of President Sheldon Hackney, September 12, 1985, Page 6

the neediest students. Such targeting could be further improved, and potential debt burdens reduced, if the SBOG maximum was also raised, as I mentioned earlier. Any step Congress is willing to take to reduce loan burdens by substituting grant aid for loan aid, particularly in the first two years of college, is likely also to be salutary for the Federal government over the long-term, as numerous recent studies have shown that default rates on loans tend to be higher for those who are just beginning their postsecondary education and who may not persist in their course of study.

While recognizing that we need to reduce loans for the neediest students, it is nonetheless imperative that those students who must borrow to meet their costs have access to adequate amount of loan capital at terms which enable them to meet their repayment obligations. Maximum annual and cumulative loan limits under the GSL program have not increased appreciably since 1968, and many students, particularly those who go on to graduate and professional study, are borrowing through supplemental programs which are substantially more costly. Substantial debt burdens affect career choices, and lead students who might otherwise contemplate careers in teaching or research or public service toward more immediately remunerative career paths. Modest increases in loan limits under the GSL program and access to the Federal guarantee (without Federal cost) for supplemental loan programs would help to make cheaper capital more widely available and limit the potential for even greater growth of student debt.

Increasing levels of student debt also require terms which will enable borrowers to repay their loans in a timely manner. For a brief period, from 1981 to 1983, the Higher Education Act contained a provision that enabled borrowers who incurred substantial federal student loan obligations to extend the period of repayment beyond ten years after graduation. This provision, which allowed students to reduce their monthly payments and thereby reduce potential defaults and delinquencies, was exceptionally helpful to thousands of borrowers. I recognize that this program of "loan consolidation" lapsed due to an impasse over the authority to issue these loans and over the long-term cost of Federal subsidies. Nevertheless, Congress should adopt a modified program of extended repayment as part of the reauthorization process. The problems posed by the earlier program can be alleviated by allowing private lenders and state agencies to compete in making consolidation loans, and subsidies for these loans can be reduced as a condition of making extended repayment available to borrowers. Mr. Chairman, I know that you have actively pursued the reinstatement of this program, and we applaud your efforts.

Thank you for the opportunity to appear before you. I would be pleased to answer any questions you may have about my testimony.

UNIVERSITY of PENNSYLVANIA

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OFFICE OF THE PRESIDENT

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October 16, 1985

The Honorable Robert T. Stafford
 Chairman, Subcommittee on Education,
 Arts and Humanities
 Committee on Labor and Human Resources
 United States Senate
 Washington, D.C. 20510

Dear Senator Stafford:

Thank you for your letter of September 30. I appreciated being given the opportunity to testify before your subcommittee on the very important issues involved in the reauthorization of the Higher Education Act.

I would like to comment on the questions proposed by Senator Hatch:

- 1) the proper division of responsibility between student, parents or other family, educational institution, the private sector, and government in financing post-secondary education;

In considering the matter of the proper division of responsibility for financing higher education it is good to bear in mind who benefits from the education our young people receive. The primary benefit, clearly, is to the student. Institutions of higher learning benefit from being able to enroll students with the strongest academic credentials, without regard to their economic means, thereby maintaining the highest standards in their programs. In addition, the ability to enroll students from diverse backgrounds enriches the educational experience for the entire student body, as well as that of the faculty and staff of the institution.

Society at large benefits in a number of ways: through a broadly-educated citizenry; through an expanded pool of potential leaders, in all fields of endeavor, drawn from a broad

The Honorable Robert T. Stafford
October 16, 1985
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spectrum of backgrounds; through development of expertise in those special areas of technical knowledge critical to maintenance of a strong national defense, vigorous economic growth, and improvement in the quality of life for all Americans; and through the social and economic mobility which the broadest range of educational opportunities makes possible.

The benefit to the private sector, taken as a whole, is essentially the same as the benefit to society at large. Particular organizations may reap a special benefit through support of specific students or groups of students.

Our philosophy is that the primary responsibility for financing a student's higher education lies with the student and his family. By primary I mean, of course, that these are the first resources to be tapped; since the resources that families have at their disposal vary, they may not be the primary source in terms of actual dollar amounts for many families. Student and family resources include not only the family's current resources, but also the student's earnings and educational borrowing. The latter relates to Senator Hatch's second question, on packaging, and I will address them further at that point.

After the student and family, the student's institution is the next source of funding to which recourse should be made. Indeed, if institutional resources were sufficient to cover the difference between educational costs and student and family resources, governmental support would not be necessary. Unfortunately, this is not the case, particularly in light of the fact that the source of revenue most controllable by institutions is tuition. It is difficult for institutions to increase their financial aid resources through tuition increases, since such increases drive up their students' aggregate needs at the same time. Federal aid policies should provide incentives, rather than disincentives, for institutional aid programs. In particular, the mechanism for allocating federal campus-based funds should not reduce institutional need by the amount of the institution's own aid expenditures.

The role of government is a residual one, to provide the support necessary to cover those educational expenses that cannot reasonably be met from family and institutional sources. While residual, this role is of crucial importance, since it ensures that the overall goal of providing our students with access to a broad range of educational opportunities regardless of economic status is achieved.

Although national financial aid policy cannot depend on private sector involvement, government policies should encourage and provide incentives for such support.

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- 2) the proper balance between loans, grants, and work in financial aid packages in order to ensure a student's maximization of his education;

In line with the philosophy that students (along with their parents) have the primary responsibility for financing their education, we feel that work and loans should constitute the base of students' financial aid, with grants covering needs in excess of what work and loans can reasonably be expected to cover. What can reasonably be expected from work is limited by the amount of hours a student's academic load permits him or her to work, as well as by the availability of summer employment opportunities. What can reasonably be expected from student borrowing is limited by what level of debt it is realistic to expect a student to manage after graduation. We need to be sensitive also to the effect that educational indebtedness may have on our students' career choices, pushing them into paths that offer the greatest immediate monetary rewards, at the expense of public service opportunities. Extended repayment periods, with lower monthly payments, such as would be provided by loan consolidation programs, would affect the level of manageable debt. So also would income-contingent repayment provisions, which would bring borrowers' annual payments into some rational relationship to their income.

The concept of work and loan forming the base of financial aid might be incorporated in the campus-based aid allocation process by building in a per-student self-help expectation. A similar expectation might be incorporated in the Pell Grant Program.

- 3) whether or not more resources for financial aid should be channeled to institutions for disbursement through them to students and why;

I feel strongly that campus-based programs play a critically-important role in the overall aid process. Decisions made via computer at a central location must, for the sake of simplicity, be based on a much less comprehensive evaluation of a student's and family's ability to pay than those made by trained financial aid personnel who may have substantially more information at their command, as well as the opportunity of direct contact with the applicant. Campus-based programs, especially CWS & SEOG, should be retained and expanded.

The Pell Grant delivery system, as currently constituted, is unduly complex and burdensome, both for financial aid offices and for students, and is costly as well. While the Department

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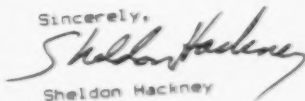
of Education's initiatives in the area of electronic data transfer may eliminate some of the overwhelming volumes of paperwork that now exists, careful consideration ought to be given to decentralization of the delivery system.

- 4) whether or not, and how, greater concern with a student's educational achievement levels should be made a part of criteria for financial aid.

I certainly support the idea that scarce aid resources should be targeted at students who are benefitting from their education, and making satisfactory academic progress. My one reservation in regard to a national standard of academic progress has to do with the fact that academic curricula and standards are not uniformly rigorous among schools. I also feel that any academic progress policy should provide for a sufficient probationary period to account for the student who, because of family, health, or other problems, may have one "bad" semester or year.

I feel strongly that federal aid programs at the undergraduate level should continue to have a need criterion, and not be based on academic criteria only. I am enclosing the corrected transcript of proceedings.

Sincerely,


 Sheldon Hackney

Enclosure

Senator STAFFORD. Thank you very much, Doctor. I should have said we have this little sytem borrowed from traffic cop control, and it is green for 5 minutes and then it is red. So, Ms. Genaw. I hope I have pronounced your name properly. You are about to go on the green.

Ms. GENAW. Hello. My name is Avanel Genaw. I am 28 years old, married, and the mother of two boys. I was born in Michigan though I spent 10 years of my childhood in Ohio.

My interests, when I was younger, were in ballet, piano, and mathematics. When I reached my teens, I moved back to Michigan.

My interests changed as I entered junior high and high school. I enjoyed drafting and calculus, and anything to do with computers. I am a high school graduate, but due to the lack of information and finances, was not able to continue my education at that time.

I worked and lived on my own for several years, met my husband, married, and bought a home in Wyandotte, MI.

In 1983, I started investigating the possibility of advancing my education. I decided a technical school would give me the training I wanted. Interviewing and testing at Detroit Engineering Institute, I found I was best suited for their electronics program.

Currently, I am finishing a 3-year course, and the reason I was able to continue my education were SEOG, Pell grants, and guaranteed student loans, which were available to me. Eventually, I would like to have a career in system and program analysis, but without any help from these types of programs, I will not be able to continue for my degree.

So far, the Federal help that I have received has been well needed. Besides myself, my husband enrolled for 1 year and was able to take advantage of some of these programs.

During the last 6 months of his schooling, I took time off and worked because financially, it was impossible for us both to go at the same time. Once he finished the 1-year program, I returned to school.

This aid basically made the difference between going to school or not. We, as a society whose industrial needs are changing now, need to retrain and learn new ways of making a living.

Most people on a lower income cannot afford to go to school even if they have the capability. Student loans have to be paid back, naturally, but if there were more federally based programs, grant programs, the amount on loans would be smaller.

The first 5 to 10 years of my employment will also be spent paying a large loan. If I continue for my degree the amount is doubled. With Pell and SEOG money, it has been possible for me to continue my education. These types of programs are very important for the future students of trade and technical schools.

Sometimes, when we are capable and wish to educate ourselves further to better ourselves and contribute more to society, our economic situation will not allow us to.

That is why I strongly support, and am thankful for any SEOG or Pell grants available. Through this help, I can realize my dream of being better educated.

That leads to steady, secure careers. It also assures my children of a secure home when there is future employment ahead.

Right now, neither my husband nor I are working, and our income for a family of four was below the poverty level in 1984.

It is about the same this year. So you see that going to school was nearly impossible for me. In addition to SEOG and Pell grants, my husband and I will owe \$10,000 in guaranteed student loans. This debt worries me and my family tremendously.

Thanks to help from these grants and loans, and a lot of hard work, I graduate in March and I expect to be employed soon after.

I would like to eventually continue my education but I do not believe I could do so if I incur any additional debt. Thank you for helping me further my education, so that both my husband and I can secure steady employment in our chosen fields. I hope that greater emphasis can be placed on grants rather than loans, so that needy students like myself can finally complete our education and be productive members of society. Thank you.

[Responses of Ms. Genaw to questions submitted by Senator Hatch follows:]

9/16/85

Questions from Senator Hatch to all witnesses at Higher Education Reauthorization hearings:

Please give me your thoughts, as you choose, on any or all of the following problems:

- 1) the proper division of responsibility between student, parents or other family, educational institution, the private sector, and government in financing post-secondary education;
- 2) the proper balance between loans, grants, and work in financial aid packages in order to ensure a student's maximization of his education;
- 3) whether or not more resources for financial aid should be channeled to institutions for disbursement through them to students and why; and
- 4) whether or not, and how, greater concern with a student's educational achievement levels should be made a part of criteria for financial aid.

Detroit Engineering Institute

Celebrating Seventy-Five Years of Quality Education



2000 Grand River
Detroit, Michigan 48226
313/222-7490

October 9, 1985

United States Senate
Committee on Labor and Human Resources
Subcommittee on Education, Arts & Humanities
SD-428 Dirksen Senate Office Building
Washington, D.C. 20510

To Whom It May Concern:

Attached is the transcript of my remarks to the Subcommittee on September 12, 1985. Corrections, both minor, are on pp. 72 and 74.

In response to Senator Hatch's question #1, I think for the dependent student, the parents should have first responsibility. If the parents are economically unable to uphold that obligation, then depending on the degree of need, the responsibility can be divided between the student himself or herself and the educational institution, the private sector, and the government.

In response to Senator Hatch's question #2, I can always appreciate a good budget, and if schooling were more balanced in the financial aid packages, there would be a considerable amount of decreases in student loans. The main reasons for loans then would be towards supplies, books, transportation, and other school expenses.

In response to Senator Hatch's question #4, I think it is long past due, establishing the 2.0 requirement might also remind the student that this financial help must not be taken for granted. It might also induce the student to be an achiever where otherwise he or she would just "get by".

Sincerely,

Avanell M. Genaw, Student
Electronic Engineering Design Technology

AMG/bms
Enclosure

NAATTS

Accredited School
National Association of
Trade and Technical Schools

Senator STAFFORD. Thank you very much, indeed. Miss Santiago, we would be pleased to hear from you.

Ms. SANTIAGO. Distinguished members of the committee, thank you for this privilege in allowing me to present my concerns over a very important aspect of my life, my education.

I feel that my concerns will be an honest representation of the concerns of most students who require aid for continuing and completing their education.

I am Ivette Santiago and I am a senior at Princeton University. I am from a family of five, myself, my mother, and three sisters.

My mother's profession is a teacher of bilingual education for the Trenton, NJ board of education. She graduated from Rider College during my freshman year in Princeton.

I have an older sister who is also a graduate. She graduated from Douglass College, part of Rutgers University. One of my younger sisters is following in my mother's footsteps and studying at Rider College, and the youngest has 2 years before she graduates. She intends to go to an Ivy League school, too.

It is quite evident, therefore, that I am a very high need student, as are my sisters, and my mother. All the members of my family realize that we could not have attended any university if it were not for the opportunities that exist in the United States for obtaining a strong higher education.

Princeton definitely would have been unmanageable for us without this opportunity, and therefore, it would have been just a dream for me.

I am extremely grateful at this point to have been born and educated during a time when these opportunities were available, for I realize that the options my mother had during her youth were limited. In fact for all practical purposes, they were nonexistent.

Despite the economic barriers that she faced, she did continue to educate herself, but it was through great sacrifice on her part, a sacrifice my sisters and I shared.

As a high aid student I am qualified to receive various forms of support to continue my education. I receive scholarship loans and college work study. The last of these three components of my financial aid package shall be the topic of this testimony.

The opportunity to work is very important to me as it enables me to keep my loans to a minimum. College work study is not only important because it provides me with a job from which I receive an income that enables me to pay my tuition and other expenses, but it also gives me exposure to a range of experiences that may not have existed, if work study was not a part of my financial aid package. During my 3 years, I have worked in the dining facilities at Princeton as a research assistant for a professor in anthropology, and as an assistant in the development office.

Along with my summer employment, I have earned over \$6,000 in the past 3 years to support my education.

For the reasons stated above, I am very concerned about the reauthorization of the College Work Study Program as I wish to see it continue. It has been very important to my education and I feel it has potential in helping students even more than it does now.

One of my greatest concerns for the College Work Study Program is the draining of funds from colleges, by adding programs that are not benefiting high need students.

One of the ways in which the funds are being drained appears to be in the set-aside programs attached to college work study. Even though these programs are necessary and benefit society, such as the education of illiterate adults, which is an increasingly significant problem in our society, it does not seem reasonable that the funds be drained from the college work study pool, which is intended to benefit needy students.

Important programs such as these should be given a higher priority and their own funding. Another program in which college work study funds are used is the job location and development. This program is as important for it allows students to attend college, where it would be impossible if they were not employed.

However, it is not designed for need-based students, though they may participate, and therefore, it is not directed at what College Work Study Program was intended to do originally.

Like adult literacy and other programs such as disaster relief, if it is judged to be important, it should have its own separate funds despite my reasoning that it does not serve the aid students in need of college work study.

The above suggestions are elements that may be successful in making college work study more efficient and encompassing for needy students. However, with college work study itself, I also find there is a definite need to alter regulations that may inhibit the student's growth and participation within the program.

The area of greatest concern to me, for I have been personally affected, is the summer college work study. I will conclude.

Senator STAFFORD. We will be glad to give you a minute to summarize, if you would like.

Ms. DIXON. OK. Briefly, I ended up with a deficit because I had to live away from home, of \$500. This also happens, if I were to live at home, I would have ended up with a deficit. Basically, I think that the allowance that is allowed in summer earnings should be increased in order to make up the deficit, and, that's about it. Thank you very much.

[The prepared statement of Ms. Santiago follows:]

STATEMENT OF IVETTE D. SANTIAGO

Distinguished members of the Committee, thank you for this privilege in allowing me to present my concerns over a very important aspect of my life, my education. I feel that my concerns will be an honest representation of the concerns of most students who require aid for continuing and completing their education.

I am Ivette D. Santiago and I am a senior at Princeton University. I'm from a family of five, myself, my mother and my three sisters. My mother's profession is a teacher of bi-lingual education for the Trenton, N.J. Board of Education; she graduated from Rider College during my freshman year at Princeton. I have an older sister who is a graduate of Douglass College, part of Rutgers University. One of my younger sisters is following my mother's footsteps and studying at Rider College and my youngest sister has two years before she graduates from high school. She has hopes of attending an Ivy League university.

It is quite evident, therefore, that I am a high need student, as are my sisters. Whatever the reason for our economic situation, we realize that we could not have attended any university if it were not for the opportunities that exist in the United States for obtaining a strong higher education. Princeton definitely would have been unmanageable without this opportunity. I am extremely grateful to have been born and educated during a time when this opportunity is available, for I realize that the options my mother had during her youth were limited, in fact, for all practical purposes, they were

non-existent. Despite the economic barriers that she faced, she did continue to educate herself, but it was through great sacrifice on her part; a sacrifice my sisters and I shared in.

As a high aid student I am qualified to receive various forms of support to continue my education. I receive scholarship, loans and College Work Study. The last of these three components of my financial aid package shall be the topic of my testimony. The opportunity to work is very important to me as it enables me to keep my loans to a minimum.

College Work Study is not only important because it provides me with a job from which I receive an income that enables me to pay for my tuition and other expenses, it also gives me exposure to a range of experiences that may not have existed if Work Study was not a part of my financial aid package. During my three years I have worked in the dining facilities at Princeton, as a research assistant for a professor in the Anthropology Department, and as an assistant in the Development Office. (Along with my summer employment, I have earned over \$6000 in the past three years to support my education.)

For the above reasons, I am very concerned about the Reauthorization of the College Work Study program as I wish to see it continue. It has been very important to me and I feel it could help students even more than it does now. One of my greatest concerns for the College Work Study program is draining of funds from colleges by adding programs that are not benefiting high need students. One of the ways in which the funds are being

drained appears to be from set-aside programs attached to College Work Study. Even though these programs are necessary and benefit society, (for example, the education of illiterate adults, which is an increasingly significant problem in our society), it does not seem reasonable that the funds be drained from the CWS pool which is intended to benefit needy students. Important programs such as these should be given a higher priority and their own funding. Also, it would seem reasonable that funds for aid students not go to help students who do not have need.

Another program for which CWS money is used is the Job Location and Development. This program is as important for it allows students to attend college where it would be impossible if they were not employed. However, it is not designed for need-based students (though they may participate) and, therefore, it is not directed at what the CWS program was originally intended to do. Like adult literacy and disaster relief, if it is judged to be important, it should have its own separate funds despite the fact that it does not serve the aid students in need of College Work Study.

The above suggestions are elements that may be successful in making CWS more efficient and encompassing for needy students. However, within CWS itself, I find there is a definite need to alter regulations that may inhibit the students' growth and participation within the program. The area of greatest concern to me, for I have been personally affected, is the summer Work Study program. During this past summer I did not go home (I

live in a small town in Pennsylvania) as I knew my chances of finding a job was very small. As a result, I accepted a Work Study job close to the University campus in Princeton. According to regulations students who live away from home are allowed to earn \$600 above their expected summer earnings. With today's prices that amount is totally unrealistic. My actual budget for this summer (11 weeks) was:

Housing	\$ 550	
Food	165	
Clothing	225	(college students do not necessarily have clothes appropriate for most jobs or offices)
Toiletries	75	
Phone bills	95	
	<u>\$1110</u>	

Since the government only allows \$600 of the \$1110, I faced a deficit of \$510. Note, also, a student lives at home the maximum allowance of for expenses is \$300. If the student were to travel by bus, (the cheapest method) he or she would spend \$1.50 to and from work daily, eating outside daily, \$3.00; and cost of clothing necessary for work \$225. With these expenses over an 11 week period, the \$300 allowance is exceeded by approximately \$175. I think these allowances should be increased to meet at least our basic needs.

Along similar lines, I do not see why a student should be limited in the amount he/she can earn during the school year. To restrict work hours seems contrary to the work ethic we have in this country. Additional work hours allow students to make an

even more tangible contribution to their education and cut down on the need for loans that have to be repaid.

Two other aspects that limit CWS students are noted in IV, B #2 and #4.

"If an institution is engaged in profit-making activities, work on such activities is not permissible under CWS. Profit-making activities may include the operation or rental of athletic fields, auditoriums, theaters, parking lots, etc. For example, if the institution leases a facility to a private sports club or organization, any jobs created as a result would not qualify as CWS positions."

"Normally, employment in a foreign country is not possible under the law...The employment of a student as an assistant to an individual professor on a field trip abroad or employment for a non-profit organization in a foreign country is not permissible."

I find restrictions such as these unnecessary. I feel that students who can find jobs other than Work Study have a very strong advantage, (in terms of their career development) compared to students who must settle for jobs totally unrelated to their field because of certain CWS restrictions. My situation could be applied again to this regulation. I am a major in the Department of Romance Languages and Literatures and also studying for a certificate in Latin American Studies. I would have best gained experience working abroad, for example by going to Columbia. However, Work Study does not extend into foreign countries. Several of my classmates did manage to do this, and they found the experience very enlightening. It was an asset to their education that was not available to aid students through CWS.

I'd like to again thank you for the opportunity to present this testimony. When one is caught up in all the confusion and problems that occur in this society, it is of great relief for me to witness the more hopeful attributes of this country. I am even more grateful that I had the rare opportunity of speaking for one aspect of this society that has been so important to me and my family, and of course, to all students who have been given the opportunity to attain their goals. Thank you very much.

Ivette D. Santiago
Ivette D. Santiago '86

September 10, 1985

Senator STAFFORD. Thank you very much, Miss Santiago. I am going to ask both you and Mrs. Genaw the first question that occurs to me. You were here when Senator Nickles proposed a C average, or equivalent in the 4.0 system, to be recipients of Federal aid. What would your reaction to that be, Mrs. Genaw? Do you think that would be an undue—

Ms. GENAW. I think it is an excellent idea.

Senator STAFFORD. An excellent idea. What do you think, Miss Dixon?

Ms. DIXON. I would like you to repeat the question. I did not hear.

Senator STAFFORD. Yes. The question is, do you think requiring students getting Federal aid to maintain a C average, or under the 4.0 system, a 2.0 average, would be an undue burden or an appropriate way to see that students are really getting something for their money, and our money?

Ms. DIXON. I do not think that it is an inappropriate request since it does give allowances to recuperate [sic] afterward, those funds.

Senator STAFFORD. All right. Thank you both. Dr. Hackney, would you have any specific recommendations for improving the flexibility of the National Direct Student Loan Program? You have covered these in your written text but I would ask you that here.

Dr. HACKNEY. Yes. If those funds, if provisions were there so that some of those funds could be used for grants in order to reduce the loan burden on students, I think that would be a highly desirable thing.

Senator STAFFORD. What would your reaction be to Senator Nickles' legislation requiring a C average?

Dr. HACKNEY. Yes. I have a bit more tolerance than the students here who would be more affected by it. I do not have strong objections to it, strong feelings. It does seem to me a reasonable request but I worry a lot about the different standards that do—

Senator STAFFORD. At different schools?

Dr. HACKNEY [continuing]. Pertain at different schools, and of the possibility of taking student aid away from a student just at the time that that student, because of some particular family problem or personal problem, most needs the support in order to get back on the academic track.

Senator STAFFORD. Thanks. Dr. Hackney, many people question the Federal Government's responsibility to pay for high cost schools. Would you care to comment on this from the standpoint of the University of Pennsylvania?

Dr. HACKNEY. I would. I think that goes to the very philosophy of the Federal student aid programs. It is very important for the society as a whole, that students have a chance not only to go to college, to advance their education, but to go to some school that is particularly suited to their needs. So that is one thing, providing access. The other thing that I worry a lot about is whether the academic atmosphere at schools such as the University of Pennsylvania can be I guess vivified by the presence of students from all sorts of backgrounds. We really are committed to the notion of diversity in the student body. We think that is the best sort of environment for students to learn in, and from each other.

If Federal student aid funds were not available, our student body would be very different. It would come from a much more skewed sector of society. That would be bad for us, educationally.

I think it is fair to ask students to bear some of the burden of that cost of education in a private institution, and I think we do that, but the returns to society in both happiness of individual people and in contributions to society are going to be very great in the future.

Senator STAFFORD. Does the University of Pennsylvania contribute to needy students from its endowment funds in order to splice out the package so that some get there who otherwise couldn't?

Dr. HACKNEY. We do, indeed. This is some measure of our commitment. In the last academic year, if I recall the figures correctly, we used about \$19 million of our own funds for grant aid, not counting the loan program that we have also started. Nineteen million dollars of our own funds. That means that we gave institutional funds, 5 institutional dollars for every dollar of Federal grant money that came in to our students.

Senator STAFFORD. Thank you. Miss Santiago, does Princeton contribute anything from its endowment funds to your mix of assistance in going there?

Ms. SANTIAGO. Most of my aid package is scholarship. I believe in this past year I received close to \$9,000 in Princeton scholarship money.

Senator STAFFORD. From Princeton itself. All right. Thank you. Dr. Hackney, do you have a feeling—some suggest that higher education has declined in the last several years?

Dr. HACKNEY. Actually, I do not. I do not know where you are going with that question but I have—

Senator STAFFORD. I do not either but it is being said.

Dr. HACKNEY. We could go on all afternoon. I think there are some very great dangers out there that I see. It is true that Federal funds for student aid have declined, the real dollars available to us. If that were to continue, it would be a real threat to the fiber of higher education. I worry a lot about some of the things that Secretary Bennett says, and where that might push Federal policy, but that may be saved for another day. In intellectual vigor and in the productivity of our educational programs, and scientific research, I think we are in pretty good shape. We need to maintain it, though.

Senator STAFFORD. Good. I would comment this way: That we had a very strenuous time maintaining the current level of funding for higher educational programs. As I said this morning to the panels and guests who were here then, we succeeded in maintaining level funding only because the college community as a whole stuck together, and looking ahead a matter of months, we may be facing another difficult time, and I trust the colleges and universities, public and private of this country, will not permit themselves to be pried apart and will remain united if we have to work hard to keep these programs intact next year, in whatever form we may think they ought to be.

I think that covers the questions I have in mind. Other members of this committee who cannot be here might like to submit questions in writing, and would that be agreeable to you, to answer them in that way?

Dr. HACKNEY. Perfectly all right; yes.

Senator STAFFORD. We thank you very much, indeed, for joining us this afternoon. Senator Grassley may be coming in to make a brief statement, and something has happened to the 2:30 rollcall vote, so I think we will ask the next panel to come to the witness table. The second panel this afternoon will be Dr. Patricia Rheams who is director, cooperative education programs, Northern Virginia Community College. Miss Lousa Thomas, Employer in the Cooperative Program, Vienna, VA, and Miss Alicia Harper who is a co-op student at Northeastern University in Boston, MA. We will go ahead and go as far as we can, and Dr. Rheams, you are the lead witness.

I might say as an addendum, that the Staffords raised four daughters, the youngest, two of whom got a year ahead of themselves in high school and spent a year in the Northern Virginia Community Colleges before they went on to further higher education in New York and Vermont State. So why do you not go ahead as the leadoff witness and we will go far as we can, finish if we can before the rollcall actually occurs.

STATEMENT OF PATRICIA RHEAMS, DIRECTOR, COOPERATIVE EDUCATION PROGRAMS, NORTHERN VIRGINIA COMMUNITY COLLEGE, ALEXANDRIA, VA; LOUISA THOMAS, EMPLOYER IN CO-OP PROGRAM, VIENNA, VA; AND ALICIA HARPER, CO-OP STUDENT, NORTHEASTERN UNIVERSITY, BOSTON, MA

Mrs. RHEAMS. Well, Senator Stafford, thank you for the doctorate, but I feel it is probably easy come, easy go, and when I get back to campus they will not acknowledge it. As you said, I am a director of the Cooperative Education Program at the Alexandria campus of Northern Virginia Community College.

I am delighted to have this opportunity to tell you about my experiences and my views on cooperative education. I have been in the field for 15 years, at the high school level, at the university level, and for the past 8 years, at one of the largest community college co-op programs in the country.

The values and the benefits that I have seen and experienced in cooperative education are those that should make this program a permanent part of our higher education policy.

Co-op programs help students bridge the gap between classroom learning and the workplace. Students are placed in jobs directly related to their field of study. They earn academic credit and incomes, in addition to valuable professional and technical experience.

If good programs are said to be "win/win" situations, then cooperative education can only be called a "win/win/win/win" program. The student, employer, college, and taxpayer all profit far beyond their initial investments.

During the mid-1970's, Northern Virginia Community College received an administrative co-op grant. Through this funding we were able to establish successful programs that have been completely self-supporting for the past 5 years.

Today, our total enrollment tops 1,500 students per year. Northern Virginia Community College is almost a microcosm of our com-

munity and students from each sector have benefited from cooperative education.

Traditional transfer students pursuing the first 2 years of a bachelor's degree maintain that co-op helps them focus their career interests.

Their parents report that co-op is often the factor that motivates students to complete their education, and students are more serious when they are making an investment in their own education.

For many middle income families locked out of traditional financial aid, cooperative education is the student "self help" that alleviates financial burdens. But for lower income students, in addition to the needed financial aid, it often provides an entre into professional careers that would not normally be accessible to them.

Students training for careers upon completion of the associate's degree see cooperative education as one of the few methods of getting their foot in the door, in very promising but perhaps highly competitive fields, such as computer programming or commercial art.

Our students come in a variety of patterns. We have young, aggressive "hot shots," struggling single parents, young retirees, minorities and immigrants, displaced homemakers, "empty nesters," and blue collar and professional career changers.

Our society prides itself on the principle that an individual can better himself through preparation and hard work, and cooperative education provides that opportunity.

By its very nature, cooperative education is an integral part of the community college philosophy. It provides a valuable link between employers, agencies, and programs in the community that provide feedback to the college on our curricula and programs.

Through cooperative education, we are able to enhance the scope and depth of our students' education and training. Students are exposed to state of the art equipment and systems that are not available at the college. Our instructors claim that co-op provides classes with students whose motivation, enthusiasm, and practice experience not only keep them on their toes but help to motivate other students as well.

Our administration appreciates a program that can recruit students to the college, keep them motivated to graduate, and produce well-satisfied, professionally employed graduates.

Cooperative education is an investment in which taxpayers not only reap an immediate dividend in student income taxes but which pays a continuing annuity in terms of self-sufficient, high-earning citizens who truly earned a future when they earned a degree.

When your constituents fully understand the benefits of cooperative education, it will be one of the most popular programs you have ever supported. Starting in October, thanks to a massive, lengthy public service campaign by the ad council, millions of American students and their families will understand and demand cooperative education. We must act now to ensure that these programs can meet that demand.

I would like to conclude my remarks, Mr. Chairman, by endorsing Senator Grassley's bill, S. 1338. Thank you and the members of

this committee for allowing me to present my views on cooperative education.

[The prepared statement of Mrs. Rheams and responses to questions submitted by Senators Weicker and Hatch follow:]

Testimony of Pat Rheams,
Director of Cooperative Education,
The Alexandria Campus of Northern Virginia Community College

before the

Subcommittee on Education, Arts and Humanities
Committee on Labor and Human Resources
United States Senate

September 12, 1985

Mr. Chairman and Members of the Committee:

My name is Pat Rheams, and I am the Director of Cooperative Education at the Alexandria Campus of Northern Virginia Community College. I am delighted to have this opportunity to share with you my views and experiences with Cooperative Education. I have worked in Co-op for 15 years--at the high school level; the university level; and, for the past eight years, in one of the largest community college programs in the nation. The values and benefits that I have witnessed and that have energized me in such a satisfying career are those that should ensure that Cooperative Education be made a permanent part of our nation's higher education policy.

Cooperative Education programs help students bridge the gap between classroom learning and the workplace. Students are placed in jobs directly related to their field of study. They earn academic credit and an income while they gain valuable professional and technical experience. If good programs are "win/win" situations, then Cooperative Education can only be described as a "win/win/win/win" program. The student, employer, college, and taxpayer all profit far beyond their initial investments.

During the mid-1970's the Alexandria and Annandale campuses of Northern Virginia Community College were the recipients of administrative Co-op grants. Through this funding we were able to establish successful programs that have been completely self-supporting for the past five years. In addition, the College has initiated programs on the three smaller campuses, and college-wide Co-op enrollment now tops 1,500 students per year.

Northern Virginia Community College is almost a microcosm of our community, and students from each sector have benefitted from Cooperative Education. Traditional transfer students, pursuing the first two years of a bachelor's degree maintain that Cooperative Education helps them focus their career interests. Their parents report that Co-op is the factor that keeps students motivated to complete their education, and students become more serious when they are making a substantial investment in it. For many middle-income families locked out of traditional financial aid, Cooperative Education is the student "self-help" that alleviates financial burdens. But for lower income students, Cooperative Education not only provides much-needed financial assistance, but an entre to professional positions that might not otherwise be accessible to them. Students training for careers upon completion of the associates degree see Co-op as one of the few methods of "getting their foot in the door" in promising, yet highly competitive fields such as computer programming and commercial art. These students come in wide varieties: young, aggressive "hot shots"; struggling single parents; minorities and immigrants; displaced homemakers; "empty-nesters"; young retirees; and blue collar and professional career changers.

It is estimated that workers will go through five career changes in their lives--not job changes, but career changes. Career change can be voluntary or involuntary. It covers a multitude of situations: unemployment, underemployment, dead-end jobs, burn-out, new-found ambition, and new interest in emerging fields. These changes are usually very difficult both financially and emotionally and can be devastating to families who are used to relative security. When such changes require additional education and/or retraining, Cooperative Education at the community college can be an effective, efficient method of retooling the nation's workforce. Our career-change students, many of whom have higher degrees, report that their spouses, parents, and even children are more patient with this difficult process when they can see the payoff materializing through Cooperative Education. Although most older students are forced to make severe sacrifices in order to participate in Co-op, they say that the outcomes are worth the investment. Our society prides itself on the principle that individuals can better themselves through preparation and hard work, and Cooperative Education provides that opportunity.

Our employers marvel at the motivation and enthusiasm of our students, who often infuse these qualities in the permanent staff who train them. Freed from entry-level activities performed by our students, professional staff can produce and perform at levels commensurate with their pay and experience. While some employers smooth out workforce gaps with part-time, temporary student employees, most of our employers view Cooperative Education as an inexpensive and efficient recruitment and training program. In fact, 80% of our Co-op students remain with their employers upon graduation.

By its very nature, Cooperative Education is an integral part of the community college mission. It provides a valuable link to employers, agencies, and programs in the community which provide feedback to the

college on our curricula and programs. Through Cooperative Education we are able to enhance the scope and depth of our students' education and training. Students are exposed to equipment and systems that are too expensive or specialized for the college to provide. Our instructors claim that the Co-op program provides classes with Co-op students whose enthusiasm, motivation, and practical experience not only keep them on their toes, but help to motivate other students. In these times of level or slightly declining college enrollments, our administration appreciates a program that can recruit students to the college, keep them motivated to graduate, and produces well-satisfied, professionally-employed graduates.

Cooperative Education is the investment in which taxpayers not only reap an immediate dividend in student income taxes, but which pays a continuous annuity in terms of self-sufficient, higher-earning citizens who truly earned a future when they earned a degree. When your constituents fully understand the benefits of Cooperative Education, it will be among the most popular programs you've ever supported. Starting in October, thanks to a massive, lengthy public service campaign by the Ad Council, Cooperative Education will be understood and demanded by millions of American students and their families. We must act now to ensure that these programs can meet that demand.

I would like to conclude my remarks Mr. Chairman, by stating that the Association of Community College Trustees and the American Association of Community and Junior Colleges have officially endorsed Senator Grassley's bill, S.1338, as representative of the community college recommendations for the reauthorization of the Cooperative Education title of the Higher Education Act. S.1338 addresses positively these community colleges concerns:

- 1) Cooperative Education should continue to be authorized as a separate title of the Higher Education Act.
- 2) Authorization levels should be increased. The program has been statically authorized at \$35 million for the past five years (FY 1981-85) and it has been only level-funded for the past three years at \$14.4 million. The Grassley bill establishes authorization levels at \$50 million for FY 1986 increasing each year in \$5 million increments to a ceiling of \$70 million for FY 1990.
- 3) Current law allows a college funding for only five years. A mechanism is needed to allow institutions with successful programs, after exhausting their 5-year grant funding limit, to be able to reapply for grant monies--after they have demonstrated that they will maintain the program at the level of combined funding at the fifth year. Senator Grassley's bill contains such a provision.
- 4) Current law wording that appears under section 802d of the current law should be retained in the reauthorization.

- 3 -

Language in this section lists factors for special consideration of applications, and includes a preference for institutions that have academic programs in place that have shown that they are favorably received by employers. Senator Grassley's bill, S.1338, contains this language.

Mr. Chairman, I again want to thank you and the members of this distinguished committee for allowing me to present my views on the reauthorization of the Cooperative Education title of the Higher Education Act.

- 4 -

Responses to Questions by Senator Lowell Weicker
to Ms. Patricia Rheams, Director of Cooperative Education,
Northern Virginia Community College, Alexandria, Virginia

Question Number 1

Ms. Harper testified that a potential disadvantage of Cooperative Education is the extended time a student may stay in school. Considering the concerns we all have regarding the debt students incur while pursuing postsecondary education, how does a program which extends the student's time in school help finance that student's education?

Response

Participation in Cooperative Education does not necessarily extend a student's time in school. In cases in which it does, no additional college expenses or debts are incurred. The benefits of Cooperative Education far outweigh any additional time invested.

Ms. Harper attends Northeastern University, one of the few institutions that have a very rigid five-year Co-op program. Most Co-op programs do not automatically extend the time students stay in school. All community colleges and many urban and suburban four-year colleges operate a "parallel" Co-op program in which students attend school full-time each term and work part-time year-round. Often, these continuous part-time Co-op positions replace part-time jobs not related to student's career fields that students would work in anyway. Many colleges, including ours, operate an "alternating" Co-op program which utilizes summers for either full-time work or study, thus diminishing the time students extend their studies. Many colleges, like ours, build Co-op learning experiences into the curriculum; Co-op actually replaces courses that students would normally have to take.

In institutions where Co-op does postpone a student's graduation date, the extra time is spent earning income that helps offset college expenses. In this case students are not incurring an additional year of college tuition, which is often the major expense. Statistics show that starting salaries and promotions of Co-op graduates significantly exceed those of non-Co-op graduates, so many students gladly wish to extend their programs to take advantage of Cooperative Education.

At Northern Virginia Community College our students generally choose to "spread out" their education to make it easier to participate in the Co-op program. To a person, they report that the enhanced education and professional experiences were well worth the additional time and effort they invested in Cooperative Education.

Question Number II

In FY '85, the administration proposed the termination of the Cooperative Education program and the inclusion of Cooperative Education activities under a modified Work Study program. Although the 98th Congress did not enact this proposal, it has been suggested that the consolidation of these two programs would result in increased flexibility in program operation for the institutions.

What is your opinion of such a consolidation?

Response

I believe that a consolidation of Cooperative Education programs with the College Work Study program is philosophically unsound, and would cause tremendous conflicts between financial aid and Cooperative Education staff at many colleges, and would diminish or kill Cooperative Education at many institutions.

The Cooperative Education community has strived to distinguish itself from the College Work Study program. For, although Cooperative Education has both a "work" component and a "study" component, financial assistance is merely an auxiliary benefit. It is neither the focus of the program nor even the primary benefit. Cooperative Education is an academic program designed to better integrate the theories of the classroom with the practices of the work world. The most important benefit, as most of our students report, is the opportunity to "break into the career field" and gain the professional or technical experience most employers require. Cooperative Education is the great equalizer that brings opportunity to those students who can appreciate its values--regardless of financial means or need.

A consolidation of Cooperative Education with College Work Study would also result in the loss of valuable research and training programs that are necessary to the growth and development of Cooperative Education.

The goal of federal Cooperative Education funding has been to initiate and expand Co-op programs so that they are eventually totally supported by the institutions. If additional funds were to be allocated as a result of consolidating Co-op with Work Study, many institutions would rely on the "soft" money and save the Co-op budget for other programs not federally funded. If no additional funds were allocated, Cooperative Education would be put in the position of having to compete for funds with financial aid, another important but distinct

program at the institution. As colleges rely on the College Work Study program to provide students with funds needed to enroll and continue at the college in addition to providing a pool of "cheap labor" to staff the college, it is obvious that even in a tie, Cooperative Education would lose. As it is, most financial aid directors, with the full support of college administrators, fill on-campus non-career-related work study positions rather than referring students to the Cooperative Education office for career-related, off-campus positions. To consolidate these programs would only aggravate these problems. These concerns and others were voiced to Mr. Kimberling of the U.S. Department of Education. He was very sympathetic to our concerns, and the idea of consolidation was not pursued further.

My suggestion is to expand funding for both programs, perhaps by diminishing grant and loan programs, for this shifts the burden of financing education to the student. When students are mature and motivated enough to invest in their own educations, they will not waste the opportunity.

9/16/85

Questions from Senator Hatch to all witnesses at Higher Education Reauthorization hearings:

Please give me your thoughts, as you choose, on any or all of the following problems:

- 1) the proper division of responsibility between student, parents or other family, educational institution, the private sector, and government in financing post-secondary education;
- 2) the proper balance between loans, grants, and work in financial aid packages in order to ensure a student's maximization of his education;
- 3) whether or not more resources for financial aid should be channeled to institutions for disbursement through them to students and why; and
- 4) whether or not, and how, greater concern with a student's educational achievement levels should be made a part of criteria for financial aid.

Response to Questions by Senator Orin Hatch
to Ms. Patricia Rheams, Director of Cooperative Education,
Northern Virginia Community College, Alexandria, Virginia

As Cooperative Education is an academic, rather than a financial aid program, I do not feel it appropriate to respond to questions prioritizing financial aid devices. It is my personal opinion that financing education is the student's responsibility; however, it is in the interest of the government to encourage student work programs such as Cooperative Education and College Work Study. When students are mature enough and motivated enough to invest in their educations, they will not waste the opportunity.

Senator STAFFORD. Thank you very much, Dr. Rheams, and now we are going to have to take a temporary recess because the roll-call has been started, and the chairman is going to have to go over to vote and come back. So we will let the committee stand down for about 15 minutes while I get that done.

[A recess was taken.]

Senator STAFFORD. The committee will please come to order and we will resume right where we stopped. Miss Thomas, we were about to hear from you, and you probably have heard us explain, we have the red, green lights here. You have 5 minutes on the green; then you are on the red. And you are on the green.

Mrs. THOMAS. Thank you. One small classification. That is a Mrs. Thomas, not a Miss, just as she was not a doctor.

Mr. Chairman and members of the committee, my association with cooperative education began as a student at Northeastern University. I needed the opportunity to earn a substantial part of my tuition costs and to balance the intensiveness of formal classroom training with a more inner active on-the-job training environment.

The opportunity to apply my classroom experience so quickly on the job helped me to focus and to redefine my interests, and to pursue courses that were more closely related to my postgraduation desires, than just taking courses to meet graduation requirements. I maximized my learning experience because I had a basis for building curriculum rather than just taking time out and filling requirements.

Even as a student I could see how time-consuming and expensive it was to develop co-op positions with employers. Classmates were unable to be placed in jobs pertinent to their degree and the reason cited repeatedly was a shortage of funds, no money to hire coordinators who could in turn do job development. It was frustrating for all of us.

Including my co-op work experience on my resume provided me with a definite edge over other graduates. I did not have typical summer job experience. My experiences were comprehensive, job related, and developmental.

My second exposure to cooperative education began with the U.S. Army Engineering Systems Command. When Northern Virginia Community College pursued their job development efforts in 1980, my supervisor, remembering my co-op background, assigned the co-op program to me.

With the support of our commander, co-op positions were reallocated, and management and control was centralized. The command benefited from the very beginning of the program. We were finally able to draw into the organization highly qualified, well educated students. Some supervisors were predictably hesitant at first, but workshops created a more positive environment. The quality of the students' work was extremely commendable, and as always, good news traveled fast.

More and more supervisors wanted their own student, and the number of positions allocated for co-op rose to over 24 by 1982, the potential for over 28 students.

Supervisors assigned time-consuming tasks or projects, otherwise undone, to these students in exchange for on-the-job training. Manpower problems were eased.

Students were considered an asset and supervisors found it easy to evaluate their potential by merely observing their day-to-day performance on the job.

Most of the students that came to us already had the courses we were sending employees out to take. Slowly but surely, co-op students became an integral and an invaluable part of our work force.

Supervisors wanted to higher students permanently after graduation. They wanted to keep the trained team member that had worked for them so hard, and it was this aspect of cooperative education that was the most difficult for us as Federal employers.

The Federal regulations limited the salary we could start co-op students with, and private industry was paying a premium to those same students because they had work experience.

So eager was the command to retain their co-op students, that a tuition assistance program was implemented in December 1984.

As a result of that program alone, in the last six months five students have already become permanent Federal employees.

The educational needs of the work force of the future will continue to demand more and more specialization. Students will be required to decide much sooner what direction their work life will take.

Those decisions demand as much input as we can possibly provide and nothing provides more impact than real work situations.

The opportunity to experience work is an invaluable tool in the development and training of all students. Employer demands will likewise require more and more specialization.

The time and expense to recruit new employees is already prohibitive. Large corporations are so aware of the high cost of recruitment that many are establishing their own temporary staffing offices as a clearinghouse for potential employees, exactly what co-op will do for them for less. The need for cooperative education programs continues to grow as we come before you, and attempt to convey the vital part it plays in the development of a productive and working economy. I only hope that we will be successful in that attempt. Thank you.

[The prepared statement of Mrs. Thomas follows:]

TESTIMONY OF LOUISA A. THOMAS

Co-owner of Creative Courier Service, Inc.

Former Branch Chief and Cooperative Education Director
with the U.S. Army Information Systems Engineering Command

Subcommittee on Education, Arts and Humanities

Committee on Labor and Human Resources

United States Senate

September 12, 1985

Mr. Chairman and members of the committee, my association with Cooperative Education began as a student at Northeastern University in Boston, Massachusetts. My primary reason for selecting Northeastern was the opportunity to earn a substantial part of my tuition costs and to balance the intensiveness of formal classroom training with a more interactive on-the-job training environment.

Although I did not receive course credits for my Cooperative Education assignments, my work periods were a requirement for graduation. The opportunity to apply my classroom experience so quickly on-the-job helped me to focus and re-define my interests and to pursue courses that were more closely related to my post graduation desires than other courses might have been. In retrospect I feel that I maximized my learning experience because I had a basis for building my curriculum rather than a need to select courses to fulfill graduation requirements for total hours.

My experience as a student also presented me with the opportunity to see how time consuming and expensive it was to develop Co-op positions with employers. Many of my fellow classmates were unable to be placed in jobs pertinent to their degree. The reason cited over and over again was the shortage of funds to hire more coordinators who could in turn do more job development. It was frustrating for all those concerned.

When I began job hunting in my senior year, I learned quickly that including my Co-op work experience provided me with a definite edge over other graduates. I didn't have the typical summer job experience they had. My experiences were comprehensive, job-related and developmental. My decision to move to the Washington Metropolitan area was the only reason I did not stay on with my last Co-op employer.

My second exposure to Cooperative Education began with the U.S. Army Information Systems Engineering Command. I was a senior instructor for advanced Data Processing courses when Northern Virginia Community College began their job development

efforts with our Employee Development Office. My supervisor, remembering my Co-op background, assigned the Co-op program to me after several attempts with other offices.

The Command's involvement was slow at first, but persistence and a firm belief in the Cooperative Education process began to pay dividends. With the support of our Commander, General Donald R. Lasher, Co-op positions were re-allocated and management and control was centralized in the new Career Management Branch. The Command benefitted from the beginning of the program. We were finally able to draw into the organization the highly-qualified, well-educated students studying locally and eventually from as far away as Colorado.

Some supervisors were predictably hesitant at first, but workshops and training sessions created a more positive environment for the first students that were hired. The quality of their work was extremely commendable and, as always, good news travels fast. As more and more supervisors asked for "their own" student, the number of positions allocated for Co-op rose to over twenty-four in just

1 1/2 years.

Middle management was responding positively to the influx of both new ideas and eager employees. Supervisors could assign time-consuming tasks or projects otherwise undone to these students in exchange for some on-the-job training time. Manpower problems were eased by the presence of the Co-op students. Students were considered an asset. Supervisors found it easy to evaluate the potential of each student by observing their day-to-day performance on-the-job. Most students already had the courses that other employees were being sent to take. Slowly, but surely, Co-op students became an integral and invaluable part of the workforce.

Supervisors wanted to know how they could hire students permanently after graduation. They wanted to keep their highly motivated, already trained team member. It was this aspect of Cooperative Education that was so difficult for us as federal employers. Supervisors wanted desperately to hire their students after graduation and students wanted to remain working in the organization that had trained them and nurtured their loyalty. The problem was money. Federal regulations limit the starting salary of Co-op students and private industry pays premium salaries for students with quality experience.

So eager was the Command to retain their Co-op students that I was successful in developing and implementing a tuition assistance program. The program attempts to offset student expenses and perhaps eliminate the necessity of borrowing funds to finish school only to face loan payments after graduation. The program has been in operation approximately one year with students willingly signing an agreement to remain with the Command for an amount of time equal to the classroom training for which they were paid.

The educational needs of the workforce of the future will continue to demand more and more specialization. Students will be required to decide much sooner what direction they want their work life to take. Those decisions demand as much input as we can possibly provide and nothing provides more impact than actions. The opportunity to experience real work situations are an invaluable tool in the development and training of all students.

Employer demands will likewise require more and more specialization. The time and expense to recruit new employees is already prohibitive. Large corporations are so aware of the high cost of recruitment that many are establishing their own temporary staffing offices as a clearing house for potential permanent employees.

The need for Cooperative Education programs continues to grow as we come before you and attempt to convey the vital part it plays in the development of a productive and working economy. I only hope that we will be successful in that attempt.

Senator STAFFORD. Thank you very much, Mrs. Thomas. A very valuable member of our committee, and the President pro tem of the Senate, Senator Thurmond has joined me, so Senator, if you have a statement, this would be a good time to make it.

STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

Senator THURMOND. Thank you very much, Mr. Chairman. I appreciate your courtesy which is always characteristic of you.

It is a pleasure to be here today to receive testimony on reauthorization of the Higher Education Act. I have had a life-long interest in education. My career as a public servant began as a teacher and athletic coach. The first elected office I held was county superintendent of education.

Throughout my tenure as a State senator, Governor of South Carolina, and U.S. Senator, I have always believed that there is no area more important to the future of our Nation than education.

For this reason; Mr. Chairman it is indeed an honor and a privilege to serve as a member of this subcommittee with you.

Since 1965, millions of Americans have been able to achieve the American dream of obtaining their postsecondary education because of the Higher Education Act. In preparing for those hearings, I know that in the 1984-85 academic year, Federal spending for all higher education programs is expected to exceed \$6.7 billion.

Approximately \$6.2 billion of this spending total was devoted to student financial aid programs under title IV. Since 1979, funding for the Guaranteed Student Loan Program has grown from less than \$1 billion to \$3.1 billion. In our efforts to contain and reduce Federal spending, these increases are significant and call for careful review.

The student beneficiaries of the financial assistance provided by this act must better understand that these programs are intended to be an investment in their future and also, in the future of our Nation.

Consequently, such a large investment must be treated with maturity and responsibility. It is tragic that loan defaults in the Guar-

anteed Student Loan and the National Direct Student Loan Programs currently exceed \$3 billion.

It is also unfortunate that there are no specific standards for academic performance applied to a student receiving Federal financial assistance.

A recent report from the General Accounting Office found that 20 percent of Federal student aid recipients had less than a 2.0 grade average, which was required for graduation in their respective postsecondary institutions.

Ten percent had less than a 1.5 grade point average. Because our Government has invested so much, it is reasonable to mandate that during the postsecondary education, and afterward, the student should be serious and responsible in pursuing his or her educational goals, and also, in repaying these obligations. In this regard I am pleased to join Senators Quayle and Pell as a cosponsor of S. 491 which would improve collection of defaults on student loans and help prevent future defaults.

I also recently cosponsored S. 1537 which would establish an academic standard for students receiving Federal financial aid. That legislation was initiated by Senator Nickles and by the distinguished ranking member of this subcommittee, Senator Pell.

It is my hope that the necessary reforms these bills address will be included in this reauthorization bill. I have also been a long-time supporter of title III programs for developing institutions.

Prior to the recess, I introduced Senate Joint Resolution 186 which would designate the week of September 23, 1985, through September 29, 1985, as "National Historically Black Colleges Week."

I was delighted to have 57 Senate colleagues cosponsor this resolution.

Mr. Chairman, thank you for your efforts and achievements in the higher education area, and for scheduling 10 subcommittee hearings on this important reauthorization bill. I look forward to working with you and the other members of the subcommittee in drafting this legislation.

I also wish to thank all the witnesses, who have given unselfishly of their time to testify at these hearings.

Regrettably, scheduling conflicts prohibit me from attending the full hearing today; however, I look forward to reviewing the testimony which is being presented.

Thank you very much, Mr. Chairman.

Senator STAFFORD. Thank you very much, Senator Thurmond, for a very good statement. We look forward to working together on this very important project of ours. Now, Miss Harper, we will be very happy to hear from you.

Ms. HARPER. Thank you, Mr. Chairman. Mr. Chairman and members of the committee, I would first like to take this opportunity to thank you for allowing me to testify before you today. My name is Alicia Harper and I am a middler at Northeastern University majoring in electrical engineering.

I have already explained in my written testimony my reason for attending Northeastern, the deciding factor being its excellent co-op program. I would only like to reiterate at this time some of the

comments I made about co-op in my written testimony. However, in the interests of time I shall be more concise.

The advantages of co-op are many; however, I have chosen only the more obvious advantages to emphasize my point, the first of these being the income earned while on co-op. I can safely say, that if it were not for the income earned on co-op and money received from private funds, my survival at Northeastern would be just that, survival.

I do not wish to create any misunderstandings. It is virtually impossible to completely cover tuition cost with this income; however, it does help to alleviate these costs. The invaluable experience and knowledge gained while on co-op are other advantages of co-op. For the two co-op employments I have experienced, the practical experience from Solid State Scientific, Inc., and the theoretical experience from the Naval Air Development Center, has definitely broadened my scope of engineering.

A very important advantage of co-op is the greater change of landing exceptional employment after graduation. An employer is more likely to hire someone who not only has the degree but the work experience to back it up, than he is to hire someone with the same credentials, minus the work experience.

I would also like to mention a few other advantages without going into detail, these being the opportunity to go on a co-op abroad, the independence and self-esteem one experiences while on co-op working in one's field of study, and finally, the break from the tedious, often monotonous activity of the classroom.

These may be infinitesimal on paper but they carry a great deal of weight in the real world. I have mentioned these few advantages; now for the sake of debate, I shall mention some disadvantages of co-op.

In trying to formulate some disadvantages of co-op, however, I found it hard to say anything negative about co-op programs, yet I was able to think of a few, that for me, proved to be negligible against co-op advantages. One disadvantage to some co-op students is the inability to find co-op employment in their area of study; however, a great deal of this depends on the student.

Although I have not experienced this misfortune, this could be crucial to a co-op student for it negates the whole objective of co-op.

A student, in my opinion, might as well attend a noncooperative institution if he or she fails to gain employment in their field of study.

This brings me to another disadvantage of co-op, that being the nonavailability of good co-op employment. Too few companies are willing to open their doors to co-op students.

The remedy here would be to solicit more companies to foster a co-op program, emphasizing the benefits they would receive. As you can see, my endorsement of co-op is very strong.

I weighed these same advantages against these disadvantages in choosing a cooperative educational institution. The advantages simply carried more weight. I would strongly recommend it to anyone interested; however, co-op is not for everyone.

Many choose to continue straight through school without working between. Co-op only offers an alternative for students who want to get a taste of what they are studying. One may say that it

can definitely influence a student's future, by experiencing their major outside of the classroom in the real world, and so they can decide if that particular career is what they really want. This is one thing that I am thankful to co-op for.

I have experienced engineering and have definitely decided it is what I want. In conclusion, I would have to contend that co-op is a definite asset to any institution and for the student who is willing to make it work, it will also prove its worth. Thank you.

[The prepared statement of Ms. Harper and responses to questions submitted by Senators Weicker and Hatch follow:]

September 9, 1985

To The Education, Arts and Humanities Subcommittee:

I would first like to take this opportunity to thank you for allowing me to testify before you today. My name is Alicia Harper and I am a middler at Northeastern University, majoring in Electrical Engineering.

Northeastern, one of the nation's oldest cooperative educational institutions, has just celebrated its 75th year as being such. Being as though I have ventured on two co-op experiences, I can certainly vouch its excellence. There were several institutions that I was interested in attending, however, the co-op opportunity at Northeastern, its most salient characteristic, influenced my decision to attend Northeastern.

Co-op has very obvious advantages that I wish to convey at this time and also relate these advantages to my own co-op experiences. Its most enjoyable advantage is the income earned which helps to alleviate tuition costs and other expenses that arise. However, I must emphasize that even with the highest income a student receives it is impossible to expect one to allocate his total income to tuition due to these various expenses. A co-op student earns anywhere from \$4.00/hr to \$12.00/hr, sometimes more or less depending on the major of the student and the employer. The income I received from my co-op employment ranged from \$4.00/hr to \$5.25/hr. I can safely say that if it were not for this income and money received from private funds, my survival at Northeastern would be just that, survival!

Another valuable asset of co-op is the invaluable experience and knowledge gained. I was most fortunate to acquire as my first co-op experience, employment at Solid State Scientific, Inc. My second co-op employment was with The Naval Air Development Center, Warminster, PA. At Solid State, I held two positions, one of which was an aligner. I operated a machine that photographed images of a circuit onto a wafer. After going through several other processes, the final product was that of a micro-chip. My other position dealt with the inspection of these micro-chips, titled operator. I made various tests of the integrated circuits to check their efficiency. Working at Solid State offered me knowledge of the practical aspects of engineering. I became familiar with the various components of a circuit and their functions.

The Naval Development Center offered a slightly different approach to engineering. My mind became the important tool, more so than my hands. I worked with other engineers in addition to Digital computers meeting deadlines to complete projects, one of which was the updating of the Naval F-30 land-based aircraft. I attended meetings with other engineers and gave input as to how we should handle our particular project. I was given definite responsibilities and proper training to meet those responsibilities.

In continuing with the list of advantages of cooperative education, I must also include the opportunity we have to work abroad in our International Co-op Program. In this program, a student may go abroad to work for a minimum of six months. The alluring feature here is the opportunity available to us to function in another society and learn the ways of its people. This is a definite way to broaden one's horizons which I hope to take advantage of in the future.

Still another advantage is the independence and self-satisfaction gained while on co-op. On a more personal scale, I have never felt more pleased with myself than when I am working in the capacity of an engineer. Being given various responsible tasks and being able to fulfill those responsibilities is very rewarding.

I must also add an advantage of co-op that is a personal favorite. This is the idea that co-op tends to break up the monotony of the classroom. After learning material in the classroom I am eager to test my knowledge in the working world during co-op.

Finally, another advantage is the greater chance of landing an excellent job after graduation. With the work experience and the final degree, an employer is more likely to choose that person over someone who has the same degree, but lacks the work experience.

I have introduced several advantages of the cooperative education program now I shall mention some of its disadvantages, some of which may appear to be negligible after being made aware of co-op advantages.

I was not only very fortunate in acquiring two valuable co-op experiences, but finding co-op employment in my area of study was a blessing in itself. However, many of my fellow-students have not had the same good fortune. This is one definite, very crucial disadvantage of co-op. I say crucial for the simple fact that it negates the whole objective of co-op. I feel that a person is shortchanged and might as well attend a non-cooperative institution if he fails to gain employment in his area of study.

This brings me to another disadvantage to co-op which is the non-availability of good co-op employment. There are too few companies willing to open their doors to co-op students. I believe that if we can persuade more companies to foster a co-op program, all involved would do nothing short of benefit. The co-op student would gain considerable experience, the employer, a chance to bring in fresh, new talent that may prove to be a lucrative investment, and the institution, another company with which to refer students.

Another disadvantage of co-op, if it may be considered as such, would be the extended academic time of five years as opposed to that of a normal, four year college. However, this would be negligible when one considers the advantages of co-op.

It is obvious that in weighing the advantages of co-op against its disadvantages, the advantages surely carry more weight. As one may see, I strongly endorse the cooperative education program. I think that if given the chance, it will always work to the advantage of a student. If I had to choose it again over a normal four year college, I would definitely make the same decision. Co-op has been nothing short of good to me, and I appreciate any opportunity to encourage someone to take advantage of it.

Here is my reply to Senator Lowell Weicker's first question:

Money earned while on co-op is a very sufficient means of alleviating tuition costs. For example, a student is on co-op for six months and is in school for six months. Depending on how much that student wishes to give towards tuition costs, the money earned from co-op can either cover the cost of the six months he/she is in school, or it can help minimize the amount of a loan that student may have to apply for to cover the tuition for those six months. Everything, of course, is dependent upon the income of the student.

Here is my reply to Senator Lowell Weicker's second question:

I believe that such a consolidation would allow for increased flexibility in program operations for the institution, but only at the expense of the students.

If I understand correctly, a co-op workstudy program would allow the student to possibly work in his field of study, and the institution would allocate funds to a company to hire these students. This is a disadvantage for students because: 1) the student could not work a maximum 40 hrs/wk and expect to gain anything valuable in the form of experience from his/her employer;

2) a student may have a job where the work he/she is doing is worth more than what the institution is paying the company, who in turn, is paying the student. In that instance, the institution is hoarding money, the company is getting free labor, and the student gains nothing; and

3) a student may not be able to handle the work load from both the school and the job at the same time.

So you see, the institution may benefit for a short while until there is a decline in enrollment because a student is not willing to learn or work under these conditions.

Here is my reply to Senator Hatch's question:

It is indeed imperative that more resources for financial aid be channeled to institutions for disbursement through them to students. The reason being is that a great deal of students are dependent upon these sources of financial aid. Without these sources they could not attend an institution of their choice, or they would be forced to settle for an institution that is more affordable, however the quality of education at that institution might be considerably less. It all relates to the familiar adage "you get what you pay for." Students who want to continue their education and have the potential to be a great influence in society should not be held back on the basis of his/her wealth. In the extreme case, a very bright student might even reject the idea of continuing his/her just because he/she cannot afford the tuition. In this instance, I feel that a student should definitely be accommodated because "The mind is a terrible thing to waste."

Senator STAFFORD. Thank you very much, Miss Harper. If you were in the hearing room earlier, you heard Senator Nickles and his proposal in legislation for a student to be required to maintain a 2.0 or a C average to receive Federal financial assistance. I wonder if you would be willing to comment on what you think of that idea. Miss Harper, would you like to lead off?

Ms. HARPER. I believe that this proposed legislation is appropriate for it serves as an incentive for a student to excel academically, knowing that he or she may lose Federal financial assistance.

I find this to be very true for myself. I strive to maintain a high average for many reasons, but the most important being to continue receiving financial assistance.

Senator STAFFORD. Thank you. Mrs. Thomas.

Mrs. THOMAS. As an employer we insisted on a 2.5 or better. I think a lot of it has to do with the technicality of the field in which the student is attempting a degree in; 2.0 is an absolute minimum.

Senator STAFFORD. Thank you. Mrs. Rheams.

Mrs. RHEAMS. Yes. I think that that is basically a good idea. We insist on a 2.0 for student participation in cooperative education. My only reservation is that, as you know, we have an open door policy in the community college system in Virginia; and many of our students arrive with very poor basic skills. We have to do a lot of remediation, and those are the very students that generally need financial assistance the most. If there can be some sort of flexibility at least for the first year, I think that it would serve our students well.

Senator STAFFORD. Thank you. Mrs. Rheams, what programs have you developed at Northern Virginia Community College to encourage employers who are unaware of the benefits of the Cooperative Education Program to become participants?

Mrs. RHEAMS. We have ongoing public relations activities. One of the main jobs of the co-op coordinator is to expand the program among employers. We have mass mailings. We have programs geared toward certain groups of employers, such as Federal Government employers, and employers in specific career fields, that we put on regularly.

We also give talks to professional associations, and area chambers of commerce. It is a continuing endeavor that has paid off very well.

Senator STAFFORD. Thank you. Miss Harper, obviously the Cooperative Education Program at Northeastern has been an excellent education choice for you. Do you feel that the benefits of cooperative education would work for all undergraduate students?

Ms. HARPER. As I mentioned in my presentation, Cooperative Education is not for all students, however it is an excellent alternative for those who wish to experience their field of study firsthand. For those who choose to continue straight through without working, that is their preference, but it is good to know that there is an alternative in co-op and that it will work for any one who is willing to work.

Senator STAFFORD. Thank you. Miss Thomas, as you may know, the accumulation of large loan debts by students is a concern in the Guaranteed Student Loan Program. Could you describe, in greater detail, if you wish, the tuition assistance program that your

company developed to help cooperative education students keep debt burdens to a minimum.

Mrs. THOMAS. The tuition assistance program was specifically designed for students who had been with us at least two work quarters, so that they had established their credibility as an employee, and the quality of work that they were capable of doing.

We then offered those individuals the opportunity to have their tuition, not their books and auxiliary expenses, but simply their tuition paid for the equivalent of their senior year which would be two full semesters or three quarters.

In exchange for that tuition assistance, they would sign an agreement with us saying that provided we offer them a position, they would remain with us and work with us after graduation for an equivalent amount of time. It was at the students' urging that we pushed that program through, and it was highly, highly responded to.

Senator STAFFORD. Thank you all very much, ladies. If there are questions in writing from members of the committee who cannot be here, would you be willing to respond to them?

Mrs. THOMAS. Certainly.

Senator STAFFORD. Thank you very much, on behalf of the committee, myself in particular, I am very grateful and we are grateful to you for helping us get off on the job of rewriting the Higher Education Act. Thank you.

I see Senator Grassley has come into the room and we would welcome a statement by the Senator.

STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM THE STATE OF IOWA

Senator GRASSLEY. Well, thank you very much, particularly, thank you for making it easy for me to appear, timewise, before this committee, because of conflicts of schedule that I have had, and of course, I am speaking about a bill that I have introduced to promote cooperative education.

And the way I look at cooperative education is that students gain valuable work experience that is directly related to their field of study. So, that they have an opportunity to earn money, become tax-paying citizens, and all of society benefits as a result of that.

Cooperative education programs have clearly demonstrated their value as a viable academic program, as well as a cost-effective means of student financial assistance as well, and out of it comes benefits, not only to the student, but also to the educational institutions, our employers, and of course, to society as a whole.

Now for the student, the way I see it, it gives them the opportunity to have state-of-the-art equipment which may not be available to them in their educational experience because of tight budgets within educational institutions.

Also, it gives them an opportunity to explore career alternatives, and particularly to become acquainted with potential employers. Now, for the colleges I think there is a tremendous advantage as well because it provides a valuable link for those colleges with local business, industries, and government agencies, and out of that

comes real opportunity for professional development opportunities for their faculty members as well.

Because keeping faculty up to date with a rapidly changing technology and the advancement of knowledge is a very necessary thing, but one that a lot of colleges do not have the resources to do, and in the case of the faculty, sometime their own resources or time do not permit it.

But there is just a wonderful opportunity, to share on the spot, just a great deal of experience here that helps the faculty and in turn helps the college.

And for employers, I think it gives the employer a cost-effective recruitment tool. For society as a whole, the promoting of the American work ethic is obviously No. 1. It helps young people build respect for work and, of course, it provides a steady flow of qualified, appropriately skilled workers for our society.

We have 177,000 college co-op students earning in excess of \$1 billion in 1983 in this and those people are paying taxes. They paid a tremendous number of taxes, \$133 million, and, compare that to the \$14.4 million appropriation for this program in 1983, and you see a 900-percent return on this Federal investment.

Mr. Chairman, I believe that the Federal authorization for the Cooperative Education Program should be continued. The uniqueness of the program demands that it be maintained as a separate program in a separate title of the Higher Education Act, and from that standpoint, I have a disagreement with the administration because I would rather do that than combine it with other financial aid programs as has been recommended by the administration.

Therefore, on June 20 of this year I introduced S. 1338 to extend the authorization of the Cooperative Education Program through 1990.

My bill retains four basic types of grants authorized under the current law—administrative, demonstration, training, and research.

But unlike the current law, my bill combines the four grant areas under one authorization. S. 1338 includes reservations specifying that at least 75 percent of the appropriated funds will go to the institutions for administrative grants.

My bill limits demonstration projects to no more than 13 percent of the appropriation, training grants to no more than 10 percent, and research grants to no more than 2 percent of the appropriations. These reservations should ensure that all four types of grants have an opportunity to be funded in a given year, but that the majority of appropriated funds will be directed to grants going to educational institutions to assist them with the implementation of the Cooperative Education Program.

My bill also expands training grants to include a provision to create regional resource centers. Current law limits an institution to five years of program funding, beginning with a 100 percent Federal grant the first year and declining to 30 percent the fifth year.

Now my bill has a provision to allow an institution which has exhausted its 5 years of funding to reapply for grant money.

But to qualify for additional funds, an institution must have maintained the program for 2 years beyond its initial Federal

grant at a level equal to the total costs of the program in its fifth year of Federal funding.

This provision is there to encourage the continuance and expansion of successful programs, and the commitment of the universities and colleges are shown through their funding of that themselves. Provisions to increase institutional accountability and a commitment to co-op programs have been added to my bill as well, and I think accountability is a very important thing we ought to be concerned about in education.

While current allows a 100-percent first year Federal share of program costs, my bill requires institutions to make at least a 10-percent upfront commitment that first year.

S. 1338 also requires institutions to analyze their program's effectiveness when they apply for second and subsequent years of grant funding.

It requires them to provide statistical data on the grant application regarding number of students, employees, and other personnel involved in the program, and student incomes and a lot of other things, too.

By requiring institutions to submit this data, the bill will encourage institutions to yearly assess the direction, the scope, and the effectiveness of their program.

It will also force an institution how to better plan how it will take over the financial responsibility of the program after the termination of the Federal support, thereby lowering the institutional dropout rate that has plagued the program in earlier years.

Mr. Chairman, I want to conclude by stating, during the period of research that took place prior to the introduction of my bill of S. 1338, my staff and I endeavored in that previous time, to gain a broad spectrum of input on Cooperative Education Program needs from the higher education community. We talked with the Cooperative Education Association, the National Commission for Cooperative Education, and a variety of 2 and 4 year colleges and universities.

My bill reflects this broad input. It is my understanding that S. 1338 today has had the endorsement of the American Association of Community and Junior Colleges, the Association of Community College Trustees, the American Council on Education, and the Cooperative Education Association.

My Chairman, I want to thank you again for allowing me this opportunity to share my views with my colleagues on this committee.

[The prepared statement of Senator Grassley follows:]

SENATOR CHARLES E. GRASSLEY
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES
SENATE LABOR AND HUMAN RESOURCES COMMITTEE
SEPTEMBER 12, 1985

MR. CHAIRMAN, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THIS
DISTINGUISHED COMMITTEE TO PRESENT SOME OF MY VIEWS
ON THE REAUTHORIZATION OF TITLE VIII OF THE HIGHER EDUCATION ACT.

AS MOST OF YOU KNOW, COOPERATIVE EDUCATION IS AN EDUCATIONAL
STRATEGY IN WHICH COLLEGE STUDENTS COMBINE PERIODS OF CLASSROOM
STUDY WITH PERIODS OF OFF-CAMPUS PAID EMPLOYMENT. THROUGH
COOPERATIVE PROGRAMS, STUDENTS GAIN VALUABLE WORK EXPERIENCE IN
JOBS THAT ARE DIRECTLY RELATED TO THEIR FIELD OF STUDY. AT THE
SAME TIME, THEY EARN INCOME THAT HELPS OFF-SET THE COST OF
ATTENDING COLLEGE, WHILE GENERATING TAX DOLLARS BACK INTO THE
FEDERAL TREASURY.

THE COOPERATIVE EDUCATION PROGRAM HAS CLEARLY DEMONSTRATED ITS
VALUE AS A VIABLE ACADEMIC PROGRAM, AS WELL AS A COST-EFFECTIVE
MEANS OF STUDENT FINANCIAL ASSISTANCE. IT HAS PROVEN TO BE

BENEFICIAL NOT ONLY TO STUDENTS, BUT TO EDUCATIONAL INSTITUTIONS, EMPLOYERS AND SOCIETY, ALIKE.

THROUGH HANDS-ON EXPERIENCE, STUDENTS HAVE AN OPPORTUNITY TO APPLY CLASSROOM LEARNING TO ACTUAL WORK SITUATIONS. FREQUENTLY, THEY HAVE THE OPPORTUNITY TO WORK WITH RESOURCES AND STATE-OF-THE-ART EQUIPMENT WHICH IS NOT AVAILABLE TO THEM ON CAMPUS. BY WORKING OFF-CAMPUS, COOP STUDENTS ARE ABLE TO EXPLORE CAREER ALTERNATIVES, AND POTENTIAL EMPLOYERS.

COLLEGES MAINTAINING COOP PROGRAMS ENJOY A VALUABLE LINK WITH LOCAL BUSINESSES, INDUSTRY, AND GOVERNMENT AGENCIES. THIS CLOSE ASSOCIATION HELPS COLLEGES MAINTAIN RELEVANT AND CURRENT CURRICULA. ADDITIONALLY, BECAUSE ACADEMIC CREDIT IS AWARDED TO COOP STUDENTS FOR THEIR WORK EXPERIENCE, COLLEGES REQUIRE FACULTY COLLABORATION WITH WORK SUPERVISORS TO MONITOR STUDENT PROGRESS. THIS REQUIRED COMMUNICATION FACILITATES PROFESSIONAL DEVELOPMENT OPPORTUNITIES FOR FACULTY MEMBERS.

EMPLOYERS FIND THAT PARTICIPATING IN COOPERATIVE EDUCATION PROGRAMS PROVIDES THEM WITH A COST-EFFECTIVE RECRUITMENT TOOL.

THEY HAVE AN OPPORTUNITY TO PREVIEW POTENTIAL EMPLOYEES BEFORE THEY ARE HIRED PERMANENTLY, AND TO TRAIN THEM WHILE THEY ARE STILL IN THE FORMATIVE STAGES. EMPLOYERS ARE ALSO ABLE TO INFLUENCE THE CONTENT OF THE COLLEGE CURRICULA, THROUGH THE COOP PROGRAM'S REQUIREMENT FOR COMMUNICATION BETWEEN THE STUDENT'S WORK SUPERVISOR AND COLLEGE ADVISOR.

COOPERATIVE EDUCATION PROGRAMS ALSO BENEFIT SOCIETY IN GENERAL. PARTICIPATING IN THE PROGRAM REINFORCES THE AMERICAN WORK ETHIC. IT BUILDS IN YOUNG PEOPLE A RESPECT FOR WORK AND FOR THE VALUE OF MONEY EARNED THROUGH WORK. COOPERATIVE EDUCATION PROGRAMS ALSO CONTRIBUTE TO OUR NATION'S ECONOMIC DEVELOPMENT BY PRODUCING A STEADY FLOW OF QUALIFIED, APPROPRIATELY SKILLED WORKERS.

THE SUCCESS OF THIS UNIQUE FEDERAL PROGRAM, WHICH COMBINES AN ACADEMIC COMPONENT WITH A FINANCIAL AID COMPONENT FOR STUDENTS, CAN BE CLEARLY MEASURED. NOTE THE 1983 STATISTICS: 177,000 COLLEGE COOP STUDENTS EARNED IN EXCESS OF \$1 BILLION DOLLARS IN WAGES IN 1983. THEY PAID \$133 MILLION TO THE FEDERAL TREASURY IN FEDERAL INCOME AND SOCIAL SECURITY TAXES. WHEN YOU COMPARE THE \$14.4 MILLION FEDERAL APPROPRIATION FOR COOP PROGRAMS IN 1983,

AGAINST THE \$133 MILLION RETURNED TO THE FEDERAL TREASURY IN TAXES BY THESE COOP STUDENTS, YOU GET MORE THAN A 900% RETURN ON THE FEDERAL INVESTMENT. FEW OTHER FEDERAL PROGRAMS CAN BOAST OF SUCH COST-EFFECTIVENESS!

MR. CHAIRMAN, I BELIEVE THAT THE FEDERAL AUTHORIZATION FOR THE COOPERATIVE EDUCATION PROGRAM SHOULD BE CONTINUED. THE UNIQUENESS OF THE PROGRAM DEMANDS THAT IT BE MAINTAINED AS A SEPARATE PROGRAM IN A SEPARATE TITLE OF THE HIGHER EDUCATION ACT, RATHER THAN COMBINED WITH OTHER FINANCIAL AID PROGRAMS AS RECOMMENDED EARLIER BY THE ADMINISTRATION.

THEREFORE, ON JUNE 20TH, I INTRODUCED S. 1338 TO EXTEND THE AUTHORIZATION FOR THE COOPERATIVE EDUCATION PROGRAM THROUGH 1990. MY BILL RETAINS THE FOUR BASIC TYPES OF GRANTS AUTHORIZED UNDER CURRENT LAW -- ADMINISTRATIVE, DEMONSTRATION, TRAINING, AND RESEARCH. BUT, UNLIKE CURRENT LAW, MY BILL COMBINES THE FOUR GRANT AREAS UNDER ONE AUTHORIZATION. S. 1338 INCLUDES RESERVATIONS SPECIFYING THAT AT LEAST 75 PERCENT OF THE APPROPRIATED FUNDS WILL GO TO INSTITUTIONS FOR ADMINISTRATIVE GRANTS. MY BILL LIMITS DEMONSTRATION PROJECTS TO NO MORE THAN 13

PERCENT OF THE APPROPRIATION, TRAINING GRANTS TO NO MORE THAN 10 PERCENT, AND RESEARCH GRANTS TO NO MORE THAN 2 PERCENT OF THE APPROPRIATIONS. THESE RESERVATIONS SHOULD ENSURE THAT ALL FOUR TYPES OF GRANTS HAVE AN OPPORTUNITY TO BE FUNDED IN A GIVEN YEAR, BUT THAT THE MAJORITY OF APPROPRIATED FUNDS WILL BE DIRECTED TO GRANTS GOING TO EDUCATIONAL INSTITUTIONS TO ASSIST THEM WITH THE IMPLEMENTATION OF COOPERATIVE EDUCATION PROGRAMS.

S. 1338 EXPANDS TRAINING GRANTS TO INCLUDE A PROVISION TO CREATE REGIONAL RESOURCE CENTERS. THESE CENTERS WOULD FURNISH TRAINING MATERIALS AND TECHNICAL ASSISTANCE TO INSTITUTIONS TO HELP THEM BEGIN OR MAINTAIN COOPERATIVE EDUCATION PROGRAMS. THEY WOULD BE AUTHORIZED TO IDENTIFY MODEL PROGRAMS WHICH FURNISH EDUCATION AND TRAINING IN OCCUPATIONS WHERE THERE IS A NATIONAL NEED, AND ENCOURAGE THE DEVELOPMENT OF OTHER SUCH PROGRAMS.

CURRENT LAW LIMITS AN INSTITUTION TO FIVE YEARS OF PROGRAM FUNDING, BEGINNING WITH A 100 PERCENT FEDERAL GRANT THE FIRST YEAR, AND DECLINING TO 30 PERCENT IN THE FIFTH YEAR. MY BILL HAS A PROVISION TO ALLOW AN INSTITUTION WHICH HAS EXHAUSTED ITS FIVE YEARS OF FUNDING, TO REAPPLY FOR GRANT MONEY. BUT TO QUALIFY

FOR ADDITIONAL FUNDS, AN INSTITUTION MUST HAVE MAINTAINED THE PROGRAM FOR TWO YEARS BEYOND ITS INITIAL FEDERAL GRANT PERIOD, AT A LEVEL EQUAL TO THE TOTAL COST OF THE PROGRAM IN ITS FIFTH YEAR OF FEDERAL FUNDING. THIS PROVISION ENCOURAGES THE CONTINUANCE AND EXPANSION OF SUCCESSFUL PROGRAMS.

PROVISIONS TO INCREASE INSTITUTIONAL ACCOUNTABILITY AND COMMITMENT TO COOP PROGRAMS HAVE BEEN ADDED IN MY BILL. WHILE CURRENT LAW ALLOWS A 100 PERCENT, FIRST YEAR FEDERAL SHARE OF PROGRAM COSTS, MY BILL REQUIRES INSTITUTIONS TO MAKE AT LEAST A 10 PERCENT UPFRONT COMMITMENT THE FIRST YEAR. S. 1338 ALSO REQUIRES INSTITUTIONS TO ANALYZE THEIR PROGRAM'S EFFECTIVENESS WHEN THEY APPLY FOR SECOND AND SUBSEQUENT YEARS OF GRANT FUNDING. IT REQUIRES THEM TO PROVIDE STATISTICAL DATA ON THE GRANT APPLICATION REGARDING NUMBERS OF STUDENTS, EMPLOYEES, AND OTHER PERSONNEL INVOLVED IN THE PROGRAM, STUDENT INCOMES, ECT. BY REQUIRING INSTITUTIONS TO SUBMIT THIS DATA, MY BILL WILL ENCOURAGE INSTITUTIONS TO YEARLY ASSESS THE DIRECTION, SCOPE, AND EFFECTIVENESS OF THEIR PROGRAM. IT WILL ALSO FORCE AN INSTITUTION TO BETTER PLAN HOW IT WILL TAKE OVER THE FINANCIAL RESPONSIBILITY OF THE PROGRAM AFTER THE TERMINATION OF FEDERAL

SUPPORT, THEREBY LOWERING THE INSTITUTIONAL DROP-OUT RATE THAT HAS PLAGUED THE PROGRAM IN EARLIER YEARS.

MR. CHAIRMAN, I WANT TO CONCLUDE BY STATING THAT DURING THE PERIOD OF RESEARCH PRIOR TO MY INTRODUCTION OF S. 1338, MY STAFF AND I ENDEAVORED TO GAIN A BROAD SPECTRUM OF INPUT ON COOPERATIVE EDUCATION PROGRAM NEEDS FROM THE HIGHER EDUCATION COMMUNITY. WE TALKED WITH THE COOPERATIVE EDUCATION ASSOCIATION, THE NATIONAL COMMISSION FOR COOPERATIVE EDUCATION, AND A VARIETY OF TWO AND FOUR YEAR COLLEGES AND UNIVERSITIES. MY BILL REFLECTS THIS BROAD INPUT. S. 1338 IS ENDORSED BY THE AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES, THE ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES, THE AMERICAN COUNCIL ON EDUCATION AND THE COOPERATIVE EDUCATION ASSOCIATION.

MR. CHAIRMAN, I WANT TO THANK YOU AGAIN FOR ALLOWING ME THE OPPORTUNITY TO SHARE MY VIEWS WITH MY DISTINGUISHED COLLEAGUES THIS MORNING.

Senator STAFFORD. Thank you very much, Senator Grassley. We have listened carefully to what you have said and I am sure the entire committee, subcommittee and full committee, will give it very careful consideration.

Senator GRASSLEY. Thank you very much.

[Additional material supplied for the record follows:]

FOR YOUR INFORMATION

DELINEATING SATISFACTORY ACADEMIC PROGRESS STANDARDS:
PROFICIENCY OR EXPEDIENCY

for
Dr. Ronald F. Docksai
Staff Director for US Senate Committee
on Labor & Human Resources
Washington, DC 20510

presented by
Dr. Sterling R. Provost
Assistant Commissioner
Veterans Education and Proprietary Schools
Utah System of Higher Education
Salt Lake City, Utah

10 June 1985

DELINEATING SATISFACTORY ACADEMIC PROGRESS STANDARDS: PROFICIENCY OR EXPEDIENCY

Preface

Almost to the advent of Title IV student educational assistance programs, the need to track student and institutional involvement has accelerated. For example:

1. Are the spirit and letter of the law being observed?
2. Is the charge of the Congress to efficiently and effectively oversee the expenditure of tax dollars being ensured?
3. Have the participating institutions of higher education developed satisfactory progress standards?
4. Are enrolled students in these federal programs abiding by such standards?
5. Are both institutions and students continuing to monitor their eligibility and performance standards?

The above has largely been left to "self-regulation" by the higher education community. Has this mode of accountability been effective?

Statutory Citation References

1. Section 484(a)(3), Higher Education Act of 1965, as amended.
2. 34 CFR Pts 668 & 690.
3. US Department of Education's Student Assistance General Provisions, published October 06, 1983.

Statement of the Problem

The position of the US Department of Education (ED) is set forth in the appended exchange of correspondence (see Attachment No. 1).

No regulations, per se, had been promulgated prior to 1983; however, the statutory requirement had been in place since 1980.

Abuses have been discovered in ED program reviews and audits.

Since 1981 the Government Accounting Office has issued two reports which focus on the apparent inadequacy of postsecondary institutions to effectively administer satisfactory academic progress standards policies: (1) "Students Receiving Federal Aid Are Not Making Satisfactory Academic Progress: Tougher Standards Are Needed" (HRD-82-15, December 3, 1981) and (2) "Many Proprietary Schools Do Not Comply with Department of Education's Pell Grant Program Requirements" (HRD-84-17, August 20, 1984).

Congressional hearings during the 97th Congress further emphasized the urgent and critical nature of resolving this smoldering and controversial issue.

Historically, the Federal Trade Commission has also shown interest in education management (Trade Regulation Rule for Proprietary Vocational and Home Study Schools, Dec 28, 1978). What might be their role and/or identification of tasks, if any, in relationship to the issue under consideration (see Attachment No. 2)?

The matter at issue is not exclusively an "education" question. Rather, it crosscuts the broader philosophy of federal preemption. There is evidence that federal reform in this connection is indicated.

Summary and Final Analysis

1. A significant federal contribution might be for the feds to serve as a catalyst and bring together the diverse elements represented in this complex scenario and assist them to arrive at appropriate national parameters and guidelines.
2. The present statutory language would seem to be inadequate in providing a sufficient enforcement mechanism for the ED to assure both institutional and student conformability--there should not be law without an adequate enforcement provision.
3. Under the circumstances, it would be profitable for a follow-up review to now be conducted to properly ascertain if the 1983 provisions have in fact proved to be a serious deterrent to the aforementioned inconsistencies and discrepancies.
4. A study to determine the contemporary relationship between the three entities of the "EDUCATIONAL TRIAD" (federal: VETERANS ADMINISTRATION, ED, et al.; state: STATE APPROVING AGENCY, licensing, et al.); and voluntary accreditation: COUNCIL ON POSTSECONDARY ACCREDITATION, et al.) would also prove efficacious at this time.

There should also be a meaningful effort to seek correlation with appropriate representatives in the private sector (i.e., business and industry). There are inherent and unique advantages that could potentially have a consequential impact on this project.

5. Because of the Reagan Administration's New Federalism posture, certain responsibilities regarding the oversight of satisfactory progress standards should be within the purview of the states (e.g., State approving agencies). Therefore, after a "model" policy is developed at the national level, the states would ensure institutional implementation.

This policy should be developed through a consortium effort, embracing the various governmental units and private business and industry. Such a consociation might add an insightful dimension and should ultimately have a salutary effect on the eventual course to be pursued.

- b. Much of the above might well be provided for in the higher education reauthorization act, which is presently under consideration. Also, it would seem feasible that, as part thereof, the position of Special Assistant to the Secretary of Education for State Affairs should be created.

If the participants approach this task with an attitude of amelioration and utilize a proper methodology, a feasible outcome can be conciliated!

Attachments
1091M

THE STATE OF NEW HAMPSHIRE



POSTSECONDARY EDUCATION COMMISSION
163 Loudon Road - CONCORD, NH 03301
603-271-2257

September 27, 1985

IT IS REQUESTED THAT THIS STATEMENT BE MADE PART OF THE TESTIMONY RELATING TO S 1537 INTRODUCED BY SENATORS NICKLES AND PELL ENFORCING TITLE IV "STANDARDS OF PROGRESS" OF THE HIGHER EDUCATION ACT.

FROM: ARTHUR M. FELDMAN, DIRECTOR *Ames*
State Approving Agency
N.H. Postsecondary Education Commission
163 Loudon Road
Concord, New Hampshire 03301
and the Chairman of the Standards of Progress Committee
of the National Association of State Approving Agencies

For many years members of this Association have been administering the Standards of Progress as mandated by Congress in PL 93-508, "The Veterans Readjustment Benefits Act of 1966, as amended," the so-called "G. I. Bill" and implemented by the Veterans Administration.

We propose that there be written into the new ACT provisions similar to Sections 1771, 1773 and 1774, of Title 38 U. S. C., authorizing and funding on a shared basis with the Veterans Administration the current reimbursement contract for work performed in this matter as has been done for years under said Title. Our responsibilities in this area would be to report problems to the Education Department as we now do to the Veterans Administration.

Senator Nickles in S 1537 introduced July 31, 1964, on page 3, notes that the Veterans Administration acts in this matter and notes that present Standards in the Higher Education Act are not adequate. Also, noted on page 4 of said bill, it is noted that the Standards now in effect in the Higher Education Act are not enforced, and in "Conclusions" that a uniform federal policy is needed.

The State Approving Agencies are in existence now can provide such enforcement. Enabling legislation should be written into the New Higher Education Act to provide for this. Attached is material relative to this that has been formulated by the Veterans Administration.

Enactment of this suggestion will save much federal money now lost through non-enforcement of Standards of Progress.

cc: Senator Robert T. Stafford
Senator Don Nickles
Senator Claiborne Pell

FEB 12 1976

CONCERNING PROPOSED STANDARDS OF PROGRESS

Proper enforcement of which will prevent overpayment of Federal Funds to eligible individuals; veterans and dependents, attending school under provisions of the "G I Bill" with the purpose of relieving educational institutions of liability as outlined in DVB Circular 20-75-84. The individuals receiving these allowances will also be relieved of the possibility of having to make restitution for overpayments made because of failure of the institution to abide by the approval, et seq., criteria established by Chapter 38 U. S. C.

Congress, when it enacted Public Law 93-508, the current "G. I. Bill" made it necessary for the Veterans Administration through the State Approving Agency to require that all educational institutions set minimum Standards of Progress and submit their Standards to the State Approving Agencies for approval.

The Veterans Administration sent DVB Circular 20-75-84 to all schools outlining the background, purpose and areas of responsibility developed by the law and the regulations. The State Approving Agencies received the Circular and established an effective date of November 15, 1975, from which time the ninety day period for submission of satisfactory standards would be measured.

We have reviewed school catalogs and find that most institutions in one way or another have in their publications, standards relating to attendance, satisfactory progress, academic probation, suspension, etc.

THESE ARE THE AREAS OF CONCERN

That the last day of attendance must be reported by the school - concerned with eligible individuals only.

That the school establish a grade point average for satisfactory progress. Individual may be kept in school if unsatisfactory but get no payments after next succeeding semester or quarter---must be V A counseled before reinstated for payments. When individual is in unsatisfactory progress situation, payments continue for the next quarter or semester.

That the school must notify Veterans Administration Regional Office when student fails to make satisfactory progress. Individual should be school counseled when unsatisfactory period begins. Schools must have capability of reporting absences and unsatisfactory progress. Satisfactory progress relates to grade point average/completed courses to courses attempted.

That the school must maintain grade on record for every course attempted whether completed, passed or not satisfactory. If individual drops course during course drop period--usually a short adjustment period course is not counted.

One way to establish satisfactory progress is with grade points - but not a must.

The purpose is to prevent payments for nonattendance and lack of pursuit.

SUGGESTED MINIMUM STANDARDS OF PROGRESS

1. Special orientation programs should be instituted for eligible individuals to explain to them their obligations and responsibilities under the provisions of the "G. I. Bill". Student Handbooks should be given to all students so that the individual's responsibilities are given to and known to them. Veterans Administration Regulations No. 14252, 14277, 14278, relating to satisfactory progress and objectives have been enforced and distributed for years. With these facts in mind, we have drafted the following minimum Standards of Progress that shall be required to be adopted by any institution desiring to continue to enroll eligible individuals who wish to receive allowances under provisions of the "G. I. Bill". The effective date for submission of your minimum Standards of Progress is February 15, 1976.

2. Undergrads must maintain 1.5 Grade Point Average.

Graduates must maintain 2.5 Grade Point Average.

Details of standards for academic probation, suspension and dismissal must be part of Standards of Progress.

Academic probation should be no longer than one school academic period.

If no grade point average given in graduate work, minimum standards to achieve satisfactory progress by school academic period must be submitted to the Approving Agency.

3. Include in grade point average computation of all courses attempted whether or not grade was given unless dropped during drop/add period -- no grade -- 0.

4. If courses are offered on a pass/fail basis and are not used in figuring cumulative point average, but are credited toward program completion, provision should be made to determine unsatisfactory progress when a (fail) grade and the cumulative point average are recorded and evaluated.

5. Allow for usual add/drop period.

6. Limit number of times individual may take deficiency courses.

7. An incomplete or poor attendance should count against General Point Average and should be made up the following academic term. Failing mark should be given if not completed.

8. If individual intends to withdraw, notice must be given in writing to the school.

9. Attendance may be verified through periodic testing.

The second fallacy is that we can do better. If the school has Standards of Excellence, that doesn't require all those who are not good at that they make the proper adjustments and by so doing, they fall short of all Standards of Excellence.

The new Ready Study Program with the \$1,000 individual paid by the Veterans Administration may be used to help a child with a veteran or dependent relative attend college. Contact should be made directly with the Veterans Service Office at the Veterans Administration Regional Office. For information about the new Ready Program.

January 9, 1976

STATE OF NEW HAMPSHIRE
INTER-DEPARTMENT COMMUNICATION

C. Green

FROM

David E. Larrabee, Sr.
Director

DATE

February 12, 1976

FEB 13 1976

AT (OFFICE)

N. H. Technical Institute
Fan Road
Concord, New Hampshire

SUBJECT

Suggested Minimum Standards
of Progress

TO

Mr. Arthur Feldman
Veterans Administration

We are submitting the following as our Minimum Standards of Progress for students at the New Hampshire Technical Institute:

Item #1 - We will enforce to the best of our ability as it pertains to all students.

Item #2 - NHTI minimum acceptable grade point average - page 18 of catalog.

Academic probation, suspension and dismissal - page 18 of catalog under Academic Discipline - The Academic Standing Committee.

Academic probation is determined by the Academic Standing Committee - page 18 of catalog.

Item #3 - See Grades on page 15 of our catalog.

Item #4 - If course taken has a pass/fail grade basis, students failing the course would be required to retake course as if it was on F grade. Catalog - page 15 - Grades - F.

Item #5 - See catalog - Page 20, Changes in Enrollment.

Item #6 - See catalog - Page 19, Repeated Courses.

Item #7 - An "incomplete" carries no numerical weight and is usually retaken in cycle the following year, as courses are offered only once per academic year. If the course is offered the Extension Division, the student may elect to take it at that time.

Item #8 - Withdrawal - see page 21 of catalog - Withdrawal from the Institute.

Item #9 - This would be a faculty decision. Currently, testing is usually done on a periodic basis as is the case in most institutions of learning and it is assumed that the faculty would check the students not taking the exam and this would result in a re-take examination or a failing grade which would affect the final grade for the course and should the student fail as a result of this, the VA would be notified.

Item #10 - See catalog, page 20 - Independent Study.

The above information pertains to our Day Division and our Extension and Community Services Division.

Department of Veterans Benefits
Veterans Administration
Washington, D. C. 20420

DVB Circular 20-75-84
(Confirming Teletype Trans.)
August 14, 1975

SCHOOL STANDARDS OF PROGRESS

1. BACKGROUND AND PURPOSE. Recent changes in VA Regulations 14253 and 14277 have established a requirement that all schools set standards of progress and submit these standards to the State approving agency for approval. VA Regulations 14135 and 14203 have also been revised in conjunction with VAR's 14253 and 14277. These now require that schools report last date of attendance when a veteran or eligible person terminates pursuit of a resident course and that other changes in enrollment be reported promptly. The procedures outlined in this circular will be used to assure that standards of progress are established expeditiously.

2. AREAS OF RESPONSIBILITY

a. The State approving agency will develop broad minimum standards and will direct the schools to develop their own specific standards of progress within the framework established by the State approving agency. Many schools have acceptable standards but most have not been filed with the State approving agency as approval criteria. Also, in some cases, these standards have not been enforced or the school has failed to notify the Veterans Administration when a veteran or eligible person ceased to maintain satisfactory progress in accordance with their standards. Schools which have not previously filed acceptable standards of progress will be given a reasonable time (not to exceed 90 days) in which to develop and submit their standards to the State approving agency for inclusion as part of their approval criteria. The State approving agency will review the school's standards and, if approved, will forward a copy to the regional office having liaison responsibility for the State.

b. If a school policy permits a student to continue after a determination that his or her progress is unsatisfactory, the school is still required to report to the VA the date when the school's approved standards of progress were not met. Such student will not be authorized educational benefits under ch. 34 or 35 unless a VA counseling psychologist approves.

c. The VA may not impose specific standards of progress on a school, except as stated in VA Regulation 14253 but may suggest guidelines to the SAA's. VA Regulation 14253(D) includes both required standards and suggested guidelines.

d. Schools must have sufficient capability to promptly report not only unsatisfactory progress, but also drops, withdrawals, and unscheduled interruptions. A report will be deemed to have been promptly made if received within the month of the occurrence or immediately thereafter (VAR 14203(D)(2)). In the case of unsatisfactory progress, the school shall not certify the further enrollment of the student prior to approval under VAR 14270.

e. The Liaison activity will maintain a copy of the school's standards of progress in the approval file, and these will be reviewed, along with other approval criteria, on compliance surveys.

3. FAILURE TO SUBMIT STANDARDS

a. If no standards have been received by the State approving agency, from a school, by the end of the 90-day period, the regional office having liaison responsibility will be notified.

b. The liaison representative will establish all the facts in the case and these will be submitted by the regional office to the Area Field Director (223) for advice as to action to be taken.

4. VIOLATION OF STANDARDS

a. The State approving agency on supervisory visits and the VA on compliance and liaison visits will specifically check to see that the school is enforcing their standards of progress and that required reports are being promptly sent to the VA. If the State approving agency discovers any irregularities in the application of the standards they will take action immediately to see that the violation of approval criteria is corrected or withdraw the school's approval and refer the information to the regional office having liaison responsibility for the State. Appropriate action will be taken in each individual case identified. If the State does not identify the cases in the report, a visit will be made to the school to determine the cases requiring action. The effective date of any suspend or termination action will be determined by the responsible Liaison activity after reviewing the data submitted by the State approving agency, and the result of any compliance or liaison visit. The effective date will be the date on which the school, under its approved policy, should have found that the student's performance

2.

August 14, 1975

DVB Circular 20-75-84

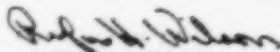
was not meeting their standards. This date may be immediately following any probationary or "leeway" period if the school has incorporated such a period in the school's approved standards.

b. If the Liaison activity establishes that a school has failed to properly notify the VA when standards of progress have not been met, the claims or DEA folder will be referred to the Adjudication Division. Benefits will be suspended and the necessary development steps will be taken to determine the effective date of failure to meet the standards. A pending EP 220 will be established with a 60-day diary and the case referred to the Counseling and Rehabilitation Section for required counseling.

c. The veteran or eligible person will be scheduled for counseling as expeditiously as possible. The counselor will assist the veteran in developing a suitable program and determine whether a change of program is in order or if the veteran may be allowed to reenroll or continue in the same field of study.

d. Following counseling the folder should be returned to Adjudication for whatever award action may be necessary and to clear the pending end product control.

5. LIABILITY. The school may be held liable for any overpayment resulting from the veteran or eligible person being allowed to reenroll, or continue in training, after the date when a report of unsatisfactory progress should have been made. Similarly, if a school fails to report a termination or reduction in training load, the school may be held liable for any resulting overpayment. This does not imply that the overpayment should be automatically waived as to the veteran or eligible person in each case since he (or she) also has a responsibility to report changes in training status to the VA.



RUFUS H. WILSON
Chief Benefits Director

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3.

Department of Veterans Benefits
Veterans Administration
Washington, D. C. 20420

DVB Circular 20-75-84
Change 1
(Confirming Teletype Trans.)

SCHOOL STANDARDS OF PROGRESS

DVB Circular 20-75-84 is changed as follows:

Page 2, paragraph 3

Subparagraph a: Delete this subparagraph and insert

"a. If no standards of progress have been received by the State approving agency from the school by January 31, 1976, or the date the Station Director determines to be 90 days from the time the SAA issued guidelines (but in no event beyond the current school year), the regional office having liaison responsibility will be notified."

Subparagraph b, line 3: Delete "(223)" and insert "(224C)".

Page 3, paragraph 4

Subparagraphs b, c and d: Delete these subparagraphs and insert

"b. If the Liaison activity establishes that a school has failed to properly notify the VA when standards of progress have not been met, the claims or DEA folder will be referred to the Adjudication Division. Benefits will be terminated effective the date of failure to meet the standards determined in subparagraph a above. The veteran or eligible person will be notified of the action by means of an FL 22-337, or a dictated letter along with the appropriate application form.

c. If counseling is requested and/or an application for additional educational assistance is received, the veteran or eligible person will be scheduled for counseling as expeditiously as possible. The counselor will assist the veteran in developing a suitable program and determine whether a change of program is in order or if the veteran may be allowed to reenroll or continue in the same field of study."


RUFUS H. WILSON
Chief Benefits Director

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000011

Some Trade Schools Make Big Money W 59-415/35 By Recruiting Students That Drop Out

By JOHN J. FIALKA

Staff Reporter of The Wall Street Journal.
Operators of some of the nation's privately owned trade schools have discovered big money in recruiting poor students who quickly drop out.

The profit in such failure, most recently documented by investigators for the New York State Education Department, comes from abuse of state and federal student grant and loan programs that pump almost a billion dollars a year into privately owned schools that offer post-high-school training for low-income students.

"Education is not what's going on here," says Leonard Rosen, a program supervisor for the New York State Education Department.

The abuse of the programs, which were designed to give poor students and high-school dropouts a last chance to learn a respectable skill, has also been uncovered by Congress's General Accounting Office, which recently reported that 67% of students it sampled had failed to consistently complete technical courses.

Although the private recruiting or "placement" schools, which accept such students, were federal and state-financed, the state authority of such schools was weakened after New York officials withdrew the names of the schools they investigated.

"There is no intention to empty the state," says New York's Mr. Rosen. "To claim the school can't take more grant money this way."

For example, about 100,000 students can claim a business-related training to pay as much as \$1,700 of the \$2,500 tuition for a one-year program, the New York state says, even though the student attends class for only a month and a half.

Until the money was withheld in 1974 by a new statute, business many of these trade schools had a "multiple-start" system that allows an average of nine or 10 starts during the school year, according to Mr. Rosen.

The New York investigators say most of the schools they examined based students by letting them prepare a "portfolio" of applications for financial aid, which usually included maximum grants from two federal programs: Guaranteed Student Loans and the Pell Grant Program. Some of them, according to Mr. Rosen, even started to give the students a small monthly stipend. Dropouts could later for a variety of reasons. Sometimes the stipend stops. Sometimes the students become disenchanted with the courses, find

classrooms overcrowded or the work too hard or leave for personal reasons.

Investigators at the U.S. Department of Education, which operates the two programs, discovered the "empty-the-seat incentive" in 1981. An expose by a Memphis television station, WRUB, showed that two schools teaching paramedical had drop-out rates of 79% and 86%.

The schools, New Orleans Para Medical College and Memphis Para Medical College, had shored up \$1 million of federal aid in four years. They have since gone out of business. Federal Education Department investigators found that some of the students who were admitted had such abysmally low test scores that they were almost guaranteed to fail. Both schools had "buffer-zone" operations that used students as telephone solicitors to recruit new prospects from poor neighborhoods.

An Expensive Day

The case was turned over to federal prosecutors. They found that no one could be made against the schools for charging 35% of the year's tuition against a student who had dropped out after one day of attendance.

That was because the refund policy was sanctioned by the Accounting Bureau of Health Education Schools, a group comprising the owners of 166 schools.

Hugh Wessley, administrator of the accreditation organization, asserts that the rule had since been changed. Now the student has to attend the first day of regular classes before he is assessed the 35%. "We haven't had any problems with it except that one point of misquote," he says.

The Federal Trade Commission and the GAO in the early 1970s were given evidence of problems in trade schools by William R. Gelhardt, the owner of a school for radio and television station employees in St. Louis.

Mr. Gelhardt sent application letters to 60 of the association's schools and says he found that 30% of the 441 schools responded had catalogs or other policies that didn't comply with the group's rules. He presented a four-inch thick book on the subject to the GAO and to the FTC, which has been working on trade rules for trade schools since 1974.

"I would say that these (Mr. Gelhardt's findings) are just not possible," asserts Robert Allen, who heads the Accrediting Commission operated by the association. "We're not infallible, but catalogs and refund policies are meticulously checked at every meeting."

The GAO used the Gelhardt material as a starting point for its own investigations, which was based on a sample of 35 schools drawn from 1,188 trade schools that receive Pell Grant funds in 13 states.

Palling Short

The GAO study estimates that more than half of the nation's privately owned trade schools admitted students who didn't meet admission requirements. Seventy-four percent of those students, the GAO estimates, later dropped out.

Two thirds of the schools, the GAO reports, were misrepresenting themselves by overstating job-placement rates. Many of them were violating standards of admission, refund practices and reporting required by their respective accrediting commissions, the GAO says. Many of these were "phantom" or "buffer-zone" schools.

The GAO study found that many schools were not properly accredited. In some cases, the schools were not even accredited by the accrediting commissions. The GAO says that many schools were not properly accredited by the accrediting commissions.

In later years, the schools have been found to be in violation of the rules. The GAO says that many schools were not properly accredited by the accrediting commissions.

Each state usually has a board of education. The GAO says that many schools were not properly accredited by the accrediting commissions. The GAO says that many schools were not properly accredited by the accrediting commissions.

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While federal auditors have missed some violations in the past, the auditing process does shed some light on the schools. For example, New York auditors found one school where the state was charged for 100 courses while only 10 courses were available.

In one room of the school, the auditors saw, a single instructor taught 100 subjects to 100 students simultaneously.

"That's amazing," says one official of the school, which has changed owners since the audit. "We don't have a room in the building that will hold over 10."

THE STATES ALABAMA
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JAMES A. WICKLEY (SAND)
PAUL LASAT F. VIRGINIA
JOSE GARCIA UTAH
THEODORE COCHRAN, WISCONSIN
DAVID ANDERSON NORTH CAROLINA
JAMES ANDERSON, NORTH CAROLINA
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TOM STERN, IOWA

COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510

WASHINGTON, DC 20510

March 24, 1986

Honorable Robert T. Stafford
Chairman
Subcommittee on Education, Arts, and Humanities
Senate Committee on Labor and Human Resources
625 Hart Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing regarding the legislation reported by your subcommittee reauthorizing of the Higher Education Act of 1965, S. 1965, and the Guaranteed Student Loan program.

I have been contacted by the Bank of North Dakota, which administers the GSL program in my state, concerning proposed changes to the program contained in the House-passed legislation, H.R. 3700, and the difficulties that would befall many farm-state students if the needs test for GSL qualification includes assets as well as income.

I have enclosed a letter I received from the Bank of North Dakota, along with a proposal written by representatives of the Bank, the North Dakota Guaranteed Student Loan Program, and the North Dakota State Board of Higher Education. If possible, I would deeply appreciate your including these materials in the official record of hearings on S. 1965.

Thank you for your consideration of this request.

With kind regards, I am

Sincerely,

Quentin W. Burdick

QNB: 00

enclosures

INDUSTRIAL COMMISSION

GEORGE A. SHAWER
GOVERNOR, CHAIRMANNICHOLAS J. SPATY
ATTORNEY GENERALKENT JONES
COMMISSIONER OF
AGRICULTURE700 EAST MAIN, NORTH DAKOTA 58501
BISMARCK, NORTH DAKOTA 58501-5009
TELEPHONE: (701) 472-2100
TELEX: 234 NBDKH. L. THORNDIKE
PRESIDENT

March 13, 1986

Honorable Senator Quentin Burdick
SH-511 Hart Senate Office Building
Washington, DC 20510

S.1965

Dear Senator Burdick:

This letter is a follow up to the discussions we have had regarding the Reauthorization of the Higher Education Act. My comments are the result of meetings held here at the Bank of North Dakota involving the Bank's Student Loan Department, the North Dakota Guaranteed Student Loan Program, and representatives of the State Board of Higher Education.

Actual deletions or additions will be directed toward the text of HR 3700. From the nature of these comments, I am sure you will understand our position regarding the changes proposed in the Department of Education 1987 Budget in the area of Guaranteed Student Loans.

Under the revised "asset based" needs analysis for family contributions contained in HR 3700, many families with incomes in excess of \$30,000 will be unable to find the liquidity necessary for \$4,000 or more annually for their child's college education. Students whose families have an asset base but no cash flow, such as farm families that are presently suffering actual operating losses, will be closed out of the GSL program completely. In an asset intensive agricultural state such as North Dakota, the "asset based" needs analysis shift in HR 3700 is going to eliminate too many North Dakota students and their parents from being able to qualify for lower interest loans with repayment deferral.

The Bank of North Dakota would like to have the qualification criteria changed in HR 3700 to the same method as exists under present law for GSL's with interest subsidy and repayment deferral. If such changes cannot be made to § 428 of HR 3700, it is imperative that the Supplemental Loans for Students and Loans for Parents contained in § 428B and § 428C, respectively, are maintained and expanded in HR 3700. With the restrictions of the "asset based" needs analysis eliminating students from regular GSL's, these alternative forms of student credit must be available.

"PARTNER IN NORTH DAKOTA PROGRESS"

March 13, 1986
Page Two

Specifically, § 428B and § 428C loans to students and parents must contain the following:

1. Deferral of interest and principal payments without subsidy for both the student and parental loans until after the student has left school so that the costs of the borrowing will not be so prohibitive as to preclude students and their parents from using the available credit.
2. The interest rate may be established by the lender at a rate lower than the statutory maximum. With additional provisions specifically allowing a state to provide its own interest subsidy program and still maintain the loan in the status of a federally guaranteed loan.

Maintaining these supplemental loans in HR 3700 for students and parents, with flexibility in establishing the terms of repayment deferral and the setting of interest rates including alternative state programs for interest subsidy, is needed if the Bank of North Dakota is to maintain its program of service to North Dakota students and nonresidents attending schools in North Dakota. The Bank has been examining the establishment of its own program independent of the federal program, but such an alternative would, out of fiscal necessity, not be as productive in making a credit system available for students. The federally guaranteed program would and has been the most efficient method available through the Bank in North Dakota. This is especially true when the terms of need analysis under HR 3700 would probably require that aid available under such an alternative state program might very well reduce even further the eligibility of students for the GSL program.

Please find enclosed for your information a proposed draft of the Bank's new loan program. Let me reiterate, however, that this is the least preferable program. Such an alternative would be viable only if the ultimate form of HR 3700 does not provide the terms and changes requested elsewhere in this letter. Upon reading our proposal, you will see that these alternative loans will only provide limited assistance. The lack of a federal guarantee will require stringent credit checks and careful analysis of income allowances in order to assist as many students as possible and still maintain the ability of the student or parent to repay the loan, which, since the loan is unsecured and unguaranteed, would really be the Bank's and NDGSLP's only security.

Discussion of details in HR 3700 requiring change in order to allow for the Bank's alternative loan program are not immediately necessary as long as the GSL qualification requirements of § 428 are not restricted even further and the alternate loans of § 428B and § 428C are maintained and expanded.

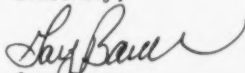
March 13, 1986
Page Three

The Bank of North Dakota also wants the approval of a secondary market's Plan for Doing Business to be controlled by the governor of the respective state as presently contained in HR 3700. It has been the Department's extended, and very often intrusive, position on PDB and tax exempt debt over the past two years which has precluded the Bank of North Dakota through the Industrial Commission from fully utilizing its secondary market trust program. Of course, there are other factors dealing with federal tax laws regarding tax exempt debt which also affects our secondary market goals, but changes in the tax law are not the subject of this letter.

Additionally, the Bank of North Dakota supports (i) the authorization of consolidation loans contained in § 428D of HR 3700 which will allow for more flexibility in restructuring debts for students in order to improve cash flow and reduce the number of defaults; (ii) the rehabilitation of defaulted loans pursuant to § 428(c)(9); and (iii) the maintenance of the mandatory payment of the Administrative Cost Allowance, including reimbursement for past payments improperly withheld by the Department of Education, which the NDGSLP requires if it is to maintain a well-run and efficient guarantee program.

If you have any questions or wish to discuss any portion of this letter in more detail, please contact me.

Sincerely,



Gary Bauer
Assistant Counsel
and Assistant Attorney General

GB/pah

cc: Senator Mark Andrews (w/enc.)
Congressman Byron Dorgan (w/enc.)
Delores James, NDGSLP (wo/enc.)
H.L. Thorndal, President, BND (wo/enc.)
Jeannine Christy, BND (wo/enc.)
Clark Wold, Board of Higher Education (wo/enc.)
Julie Kubisiak, NDGSLP (wo/enc.)
Nicholas J. Spaeth, Attorney General (w/enc.)
Karlene Fine, Secretary, Industrial Commission (w/enc.)

PROPOSED

A NEW LOAN PROGRAM
FOR NORTH DAKOTA STUDENTS AND THEIR PARENTS

AN ANALYSIS OF SEVERAL ISSUES AND PROPOSALS

MARCH, 1986
DRAFT # 2

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INTRODUCTION

This paper has been developed to describe the circumstances prevailing in early 1986 that may require the State of North Dakota to re-examine its commitment to the provision of student loan programs to its citizens. The information provided herein is intended to serve as a "benchmark," from which discussion, agreement, disagreement, compromise and amendment will undoubtedly come forth. The issues discussed are comprehensive, but are not intended to be all-inclusive. Additional issues and amendments to those presented will undoubtedly occur as this proposal may evolve closer and closer to reality.

This paper is a compilation of extensive discussions between Board of Higher Education staff and Bank of North Dakota staff at several stages of development, and the later addition of discussion with financial aid personnel from the University of North Dakota and North Dakota State University. While the author of this paper was Clark Wold, it reflects the collective points of view of the aforementioned staff personnel.

The first draft of the paper has been edited by the persons involved in the discussions. This paper may not represent the point of view of this group as a whole, but is intended to raise issues and to present various points of view surrounding those issues. As a specific proposal for a new program is shaped, the persons that have been a part of the preliminary discussions will be interested in providing their advice and counsel, particularly if a final program deviates to any significant degree from the program described herein. Additionally, it is suggested that at some point prior to implementation of a program, that all postsecondary institutions be given the opportunity to comment on the goals and structure of the program.

A NEW LOAN PROGRAM
FOR NORTH DAKOTA STUDENTS AND THEIR PARENTS
- AN ANALYSIS OF SEVERAL ISSUES AND PROPOSALS -

NEED FOR A NEW PROGRAM

The need for a new loan program to serve North Dakota students and their parents has been evident at a non-critical level for some time. Financial aid and student loan administrators have been increasingly aware of an undefined, yet seemingly escalating, number of students not eligible for the GSL program due to the \$30,000 income cap. While aid and loan officials have expressed concern over this phenomenon, in and of itself it has not been sufficient to stimulate activity for a new loan program.

Several events occurred in late 1985 and continued into 1986 that both raised the level of public consciousness about the aid issue in general, and about the viability of loan programs in specific. Those issues can be gathered into three broad categories. They are as follows:

- (A) Budgetary: The advent of the deficit reducing mechanism embodied by the Gramm/Rudmann/Hollings amendments (GRH) has caused virtually all programs funded from federal tax revenues to be re-examined. While the initial GRH initiatives do not adversely affect the GSL program directly, it has become evident that federally funded student financial aid programs have very likely "topped out," and will stabilize at best and dramatically decline at worst.
- (B) Reagan proposals for Restructuring Title IV Programs: While the specific proposals embodied in the recently released administration budget are too many to cover in this analysis, suffice it to say that the administration's intent is to dramatically restructure what we now know as student financial assistance. The overall goal appears to be to reduce the role of the federal government in

these programs, and at the same time, shifting the financial burden back to the family itself and, certainly by inference, to the States.

- (C) Reauthorization: The higher education act of 1965 as amended is up for its regular reauthorization in 1986. The House has passed its reauthorization bill, and the Senate is scheduled to take up its bill this spring. While neither body is expected to propose the dramatic changes embodied in the administration proposal, it is likely that there will be several changes. The changes proposed for the GSL program are far-reaching and if enacted, could negatively affect the eligibility of North Dakota students.

Against that backdrop of the changing mileau of the GSL program, the Commissioner of Higher Education wrote the Industrial Commission and suggested that they begin to develop contingency plans for a new student loan program. These plans are being developed against the backdrop of NDCC 15-62.1. This section of the Code provides authority to the Bank of North Dakota to develop a new, totally North Dakota supported and operated loan program in the event the federal GSL no longer could meet the needs of substantial numbers of North Dakota students.

We are at or very near the point when North Dakota students will no longer be adequately served. Hence, the need to discuss a new program.

This paper will go on to discuss several important issues surrounding a new program. An attempt will be made to determine the issue, discuss relevant points of view and, where possible, make recommendations.

At the outset, it should be acknowledged that the conceptual framework for a new loan program put forth by BND officials is both exciting and innovative. The commitment to providing funds to North Dakota students through a variety of credit mechanisms is at once evident and deeply felt.

OBJECTIVES OF A NEW LOAN PROGRAM

The manner in which a loan program is structured, and the eligibility/lending criteria used will of necessity be at least partially determined by the objectives of the program -- who are the target groups to be served? Several groups of students can be identified as needing access to student credit, or, stated otherwise, those who are not able to use the GSL program.

(A) Students not eligible for the GSL assuming a tightening of eligibility in the GSL program. Ineligible students will likely fall into two broad categories:

1. Students from so-called "middle-income" families. Under the current GSL program, these students typically come from families whose student and parent AGI exceeds \$30,000. With rapidly escalating college costs in North Dakota, these families may exhibit a certain degree of financial strength, but do not have the liquidity necessary to pay the \$4,000-\$5,000 bills required at a local college. By most standard measures, they are determined to exhibit no calculated financial need for traditional aid programs. As the federal aid programs retrench, this category of student will grow larger. While this group of students should not expect outright grants, a system of student/family credit other than the commercial credit system may be appropriate.
2. Students from families who have little or no cash flow and who may exhibit a net operating loss on the IRS 1040, but whose equity position may preclude eligibility for the GSL or for other aid programs. Reauthorization and/or the administration proposals for GSL are very likely to embody a totally "needs based" system for eligibility determination. Standard financial aid definitions include the calculation of equity in the determination of "need." In an asset intensive state such as North Dakota,

this more restrictive manner of determining eligibility will tend to reduce and/or eliminate GSL eligibility. A system of student credit will be needed to allow students from those families to avail themselves of training beyond high school.

3. The discussions in (1) and (2) have both assumed no eligibility for the GSL. There are cases, however, where GSL eligibility is minimal. A system of student credit would be helpful to allow the student to borrow from a variety of sources up to a pre-determined ceiling of aggregate student loan indebtedness. For example, a student may have calculated GSL eligibility of \$500 but due to the very reasons stated in (1) and (2), may not have the liquidity to fund the cost of education. The student credit system contemplated herein could, in this instance, supplement GSL eligibility.
4. There will be those who propose that a new system of student credit be structured to allow a full loan over and above full GSL eligibility. Institutions that carry high costs are likely to opt for this approach. A case will also be made by institutions who offer programs within their institutions that carry extraordinarily high costs that aggregate loan maximums should be expanded.

This is a difficult and sensitive issue. The lender may hold that a new system of credit on top of GSL eligibility is not sound credit management and would tend to increase the probability of future default. The institutional/programmatic point of view, however, is able to put forth a convincing position that argues for the availability of "choice" by the student the freedom to choose being reflected in higher loan limits.

5. It is likely that the categories of students described in (1) through (4) will cover the majority of students who may wish to avail themselves of a new system of student credit. It should be noted, though, that the final eligibility guidelines should provide the flexibility to the campus aid administrator to recommend eligibility for the small number of students who may legitimately exhibit need for student credit, but who may not fit one of the aforementioned categories.

GUARANTEE FUNCTIONS VS. LENDING FUNCTIONS

It is important that a careful distinction be made between the "guarantee functions" performed by the Bank of North Dakota, and the "lending functions" performed by the Bank. North Dakota is in the position of having the majority of the traditional student loans in the State not only originated or purchased by the Bank, but also guaranteed against default by the Bank. This dual responsibility has caused most to misunderstand the distinction between these two functions.

As a new system of student credit is considered, it is essential that these two functions be separated, and sub-functions within each be specifically identified and described in detail. The reason for high-lighting the distinction relates not only to the need for more clarity in the program and its procedures, but also to the statutory authority underpinning the guarantee function.

NDCC 15-62.1-02(1) states that the Bank shall establish a separate guarantee fund for student loans in the event that the traditional federal programs "...are no longer adequately serving the needs of North Dakota students...". The cited section goes on to provide that the agency may not adopt eligibility requirements or loan limits which are more restrictive than those eligibility requirements for loans guaranteed under the federal programs.

In the absence of a distinction between the guarantee and lending functions, this language could cause difficulty for the Bank as it attempts to structure a new system of student credit that would be, in fact, far more restrictive than the federal program. The lack of a distinction would necessarily cause a new program to be more "liberal" than that which is intended. The making of a clear distinction between the two issues, however, should clear the path to not only allow the guarantee function to adhere to the statute, but should also allow the lender to structure a new system of student credit as it sees fit.

An essential assumption under which a new system of student credit will likely operate is that the Bank of North Dakota, as lender, will originate 100% of all loans in the state under the new program. A comparison assumption is that the Bank of North Dakota will not offer a secondary market for these loans. The lack of a secondary market will almost certainly preclude other lenders from participating in the program.

As the only originator of these loans, then, the Bank as lender can set eligibility criteria as it chooses, while the Bank as guarantor can set its own rules as to the types of loans that it will guarantee, (albeit a more liberal set of parameters). For all practical purposes, though, the guarantor would only receive applications from the Bank as lender that were originated under more restrictive criteria. Even though the guarantor would have the legal authority to guarantee loans made under provisions similar to the federal GSL program, the only loans to reach it for guarantee would be those under the new system of student credit.

The spirit and the letter of NDCC 15-62.1-02(1) would be met, while the Bank as lender would be able to structure a program that would meet the needs of the targeted populations described herein.

It should also be noted that the remainder of the descriptions in this paper may apply in whole or in part to either the guarantee or lending functions. In some cases, there may be overlap between the two. As the new system of student credit moves forward, the Bank should define for internal management and control purposes which procedures are more appropriate for the guarantee and lending functions.

STUDENT LOAN LIMITS

The extent to which students may be allowed to borrow under a new system of student credit, and in combination with other types of student credit, will be important in affecting the health of the program itself, and of the fiscal integrity of the borrowers themselves. Studies reveal that aggregate levels of debt, as well as multiple loan repayments, are important factors in predicting the tendency of students to repay their loans in a timely manner, or to default. The annual loan limits as well as aggregate loan limits from all sources should be carefully crafted to respond to the legitimate needs of students, while being careful to guard against burdening the student with a debt burden that is unmanageable.

Closely tied to the student debt load issue is that of the ability of a new student credit system to absorb defaults. As originally conceived, a new student credit system would contain no federal guarantees, reinsurance, or co-insurance. The "guarantee fund" as finally structured will be funded by the Bank of North Dakota and by the students themselves through the payment of a "guarantee fee," (discussed later). It will be absolutely essential that the new system of student credit be structured to judiciously minimize the potential for default. Perhaps the most significant single factor that could stand in the path of the long-range success of a new program is the specter of defaults eroding the guarantee fund at too rapid a pace. A delicate balance must be struck to allow for students to use the program and not be overly restrictive in eligibility criteria, while at the same time protecting the integrity of the reserve fund.

It has been suggested that the annual and aggregate loan limits for a new system of student credit roughly parallel those of the GSL program. Undergraduate loan limits would typically be lower than those of graduate students and students attending professional schools. The proponents of structuring a program to meet the needs of high cost institutions and programs would suggest yet another level of loan limits to respond to their unique circumstances. It will not be the task of this paper to recommend a program to respond to the "high cost" market.

UNDERGRADUATE ANNUAL LOAN LIMITS

It is suggested that the annual loan limit for undergraduates be set at \$2500, a figure parallel to the GSL program. To set the figure at a lesser figure would be to seriously undermine the usefulness of the program in light of escalating postsecondary costs. To set the undergraduate annual limit greater than \$2500 could compromise the integrity of the program by increasing the potential for future default.

UNDERGRADUATE AGGREGATE LOAN LIMITS

By definition, it is assumed for purposes of a new system of student credit that "aggregate loan limits" refers to the total of all student debt, whether from GSL, NDSL, or all other sources.

It is suggested that aggregate loan levels be keyed to grade level. With an annual limit of \$2500, it is suggested that the grade level maximums be structured as follows:

Grade level 1	2500
Grade level 2	5000
Grade level 3	7500
Grade level 4	10,000
Grade level 5	12,500

GRADUATE AND PROFESSIONAL ANNUAL LOAN LIMITS

Again, to parallel the GSL program, it is suggested that the annual loan limit for a new system of student credit

be set at \$5,000. As is true with the GSL program, this higher annual loan limit should reflect the higher costs associated with graduate and professional programs.

GRADUATE AND PROFESSIONAL AGGREGATE LOAN LIMITS

As was true at the undergraduate level, "aggregate" is defined to include student credit from all sources.

Aggregate loan limits at the graduate and professional level pick up where the undergraduate limits left off. They are suggested to be as follows:

Undergraduate levels 4 & 5	12,500
Graduate, all levels	5,000 per year maximum, not to exceed \$25,000 for undergraduate and graduate school.

MINIMUM LOAN LEVELS, UNDERGRADUATE, GRADUATE, PROFESSIONAL

Due to the nature of a new system of student credit, it is unlikely that we need be overly concerned about loans in this system being "too small."

This particular issue appears to be more of a lending issue than it does student credit issue. It is suggested that the Bank of North Dakota study minimum loan amounts to determine if a minimum amount is needed.

LOAN AMOUNT/COST OF EDUCATION/OTHER AID

An "umbrella" guideline must be superimposed over all other loan limit guidelines. In addition to the discussions above, no loan for a given year should exceed the cost of education as calculated by the institution, less any other financial aid. To allow a full \$2500 loan under the new system of student credit in addition to other aid of all types (including loans) could be to overfund the student. For example, if one assumes a \$5000 student budget and \$4000 in aid from all other sources, the maximum loan under this new system of student credit could only be \$1000, further depending upon how much of the \$4000 in aid was other loans. This is a fairly standard procedure employed by aid administrators to assure that students are not overfunded.

INSTITUTIONAL ELIGIBILITY CRITERIA

The guidelines for a new system of student credit needs to address the types of institutions in which students holding loans can enroll. An agreement could be made that the program should be limited to North Dakota institutions only. It may be attractive to limit a wholly owned state program to local institutions.

To strictly prescribe institutional eligibility to North Dakota institutions, however, would work against a long-standing philosophy, supported by federal guidelines, that students be able to carry aid for which they are eligible to the institution that most closely meets their career goals, regardless of the state in which the institution is located. A more practical reason to allow "portability" may relate to reciprocal agreements held with other states, such as Minnesota. It may be difficult to justify allowing our students to flow freely to Minnesota, but not to allow them financial aid with which to do it.

The Bank may wish to examine the portability issue carefully in an effort to determine if it wishes to allow this program to be portable to all types of out-of-state institutions.

STUDENT ELIGIBILITY CRITERIA - NON-FINANCIAL

Eligibility criteria for a new system of student credit can be separated into two broad categories - non-financial and financial. The non-financial criteria can be described and discussed as follows:

- (1) NORTH DAKOTA RESIDENCY REQUIRED: There is little disagreement that this program should be limited to legitimate North Dakota residents. This becomes less clear, however, when one realizes that there are a variety of ways in which residency can be obtained. Shall it be residency for voting purposes (fairly lenient) or for tuition purposes (more strict), or tied to that of parents (difficult to administer for independent, older students). With the understanding

that a new system of credit should serve bona fide North Dakota students, it is suggested that the legal staff of the Bank of North Dakota research the residency issue and come forward with a recommendation.

- (2) SATISFACTORY PROGRESS: It is recommended that each borrower be required to maintain satisfactory academic progress as determined by the institution. Under current Title IV student financial assistance general provisions, each institution is required to develop and implement a satisfactory progress policy. These policies may not be uniform from school to school. Such variation is allowed by federal regulation to reflect the unique character of those institutions. For a new system of student credit to use the existing policies would be to lend consistency and continuity for the student, for the institution, and for the lender.
- (3) THE STUDENT CANNOT BE IN DEFAULT ON ANY OTHER STUDENT LOAN, OR OWE A REFUND ON A GRANT: This provision again is consistent with Title IV regulations. Particularly in this program, it would seem only to make good sense to deny credit to those whose previous credit/repayment record was questionable. Existing policies on each campus should cover this area quite well.
- (4) ENROLLMENT STATUS REQUIRED FOR ELIGIBILITY: It is suggested that the new system of student credit offer eligibility to students who are enrolled "one-half time or more" as defined by the institution. This guideline parallels other Title IV aid programs.

While the majority of volume generated under this new system of student credit will likely go to "full-time" students, it is felt that this avenue should not be arbitrarily closed to those students who choose or are able to attend less than full-time but more than one-half time. As is true with other Title IV programs,

loan limits and other eligibility criteria would necessarily be adjusted to reflect the less than full-time status. Those adjustments should be made to be consistent with the administration of the other Title IV programs.

STUDENT ELIGIBILITY CRITERIA - FINANCIAL

- (1) MUST APPLY FOR ALL OTHER AID: By definition and objective, this new system of student credit is designed to respond to students who for one reason or another are ineligible for other types of aid. It follows, then, that a formal application for all other types of aid must be undertaken for an "ineligibility" determination to be made. It is expected that an ACT-Family Financial Statement will be required of all applicants.
- (2) MAY REPLACE FAMILY CONTRIBUTION: In order to mesh with the larger, traditional system of student aid, the loans provided by a new system of student credit must be allowed to replace the family/parental contribution as calculated by the Congressionally approved "uniform methodology," as calculated through the ACT-FFS. The very objectives of the program itself require this statement. Ineligibility for the traditional aid programs (including GSL) is a result of the calculated family/parental contribution exceeding the cost of education, hence, no financial need. This new system of student credit, then, steps in to "replace" family/parental contribution to give the family access to credit where it otherwise would have no options at all.

A mitigating factor in the proposal to allow the new system of student credit to replace family contributions may appear in reauthorization language for all Title IV aid programs. There is a strong likelihood that a new higher education act will provide that all aid programs be need-based, as discussed earlier in this paper.

The technicality surrounding the financial aid definition

of "need-based," and the proposal to disallow that total aid from all sources could not exceed the calculated "unmet need" for a given student, may preclude the ability of this new system of credit from replacing family contributions. To disallow replacement of family contributions could be to shift the focus of the program, alter the goals and objectives of the program, and change the pattern of demand for the program. It is suggested that Board of Higher Education staff monitor this possibility and apprise the Bank of North Dakota staff of developments as they occur.

- (3) FINANCIAL "CEILINGS" TO ELIGIBILITY: It is suggested that no specific financial ceiling be set, beyond which there would be no eligibility. Since the intent of the program is to meet the needs of the so-called "middle-income" family, or those who exhibit financial strength but lack liquidity, any upper limit would be arbitrary and may fail to recognize unique circumstances.

ACCRUAL AND PAYMENT OF INTEREST

One of the most important elements of a new system of student credit will be the manner in which interest rates are structured. Interest rates affect not only the student, but obviously affect the lender as well. It has been assumed from the outset that a new system of student credit could not duplicate the interest structure of the GSL program. The State of North Dakota is no more able to fund a subsidized program to the extent that the GSL is subsidized than is the federal government.

Given that reality, the next step is to explore alternative methods of charging/paying interest. A goal in this discussion was to develop a program that was acceptable to the lender in terms of a reasonable return on its money, while at the same time assuring that the interest costs wouldn't be so prohibitive during the in-school period as to preclude students from using the new system of student credit.

As previously noted, the State of North Dakota is in no position to provide interest subsidy to the extent that the federal GSL program currently does. In fact, it may not be possible for the state to subsidize the interest costs of loans made under this new system of student credit. That being the case, the task becomes one of designing an interest charge/payment structure that will allow the Bank to cover its costs yet not allow the rate to become so prohibitive to preclude the student from borrowing.

The basic assumption underlying this new system of student credit should be that the interest that accrues on the loan during the in-school period shall be due and payable during the in-school period. Payment on the principal would be deferred until the student either completed the program, or ceases being at least a one-half time student. (Deferments and grace periods discussed in more detail on pages 19 & 20).

Under this assumption, the Bank would need to develop a system for the billing and collection of interest during the in-school period. It is likely that the Bank could up-date and implement a similar system to that which was used for the old F.I.S.L. program in the early 1970's. The Bank would also need to develop guidelines for responding to the non-payment of interest during the in-school period, i.e., would the loan go immediately to default, would subsequent advances on principal be blocked, should billings for interest be sent monthly/quarterly, etc?

Typically, the most commonly proposed schedule for payment of interest is quarterly. Further, quarterly interest payments would have to be current for subsequent disbursement to be made. Default on interest payments would, for all intents and purposes, constitute default on the loan itself.

This new system of student credit may wish to take a page from the Minnesota S.E.L.F. Program. The SELF loan is always in repayment, according to their literature. Their point may be one in semantics only, but by requiring payment

of interest during the in-school period and defining those payments as "loan payments," they are creating an "attitude" about the loan itself. We may wish to adapt their language to foster repayment responsibilities at as early a date as possible.

INTEREST RATES

The Bank has suggested that the rate of interest charged students would be calculated based on the one-year T bill rate plus one percent, calculated and adjusted (if necessary) on a quarterly basis. A current calculation (early March, '86) would set the rate to students between 8.75% and 9%.

In an effort to provide protection for the family against a precipitous rise in interest rates, it is suggested that a "cap" of 14% be placed on the rate that the family would be required to pay. To require the family to pay interest calculated at rates beyond 14% would likely preclude many families from using the new system of student credit. Rates beyond 14% could make the quarterly interest payments too prohibitive for many of the very families for whom the program is intended.

In the event that rates do rise beyond 14% and that a "cap" of 14% has been established, a mechanism should be considered to allow the Bank to tap other sources of income to allow it to cover its costs as previously defined. To provide for that eventuality, it is suggested that the Bank explore a mechanism whereby the Student Loan Trust Funds held by the Industrial Commission be used to assure the Bank of a reasonable rate of return over the longer term.

The technique could be to "subsidize" rates in excess of 14% by accruing any rate in excess of 14% as a "receivable" against the Trust Funds. For example, if rates rose to 16%, the family would pay 14%, a receivable of 2% would be accrued against the Trust accounts. Using this technique, the Bank could account for the 2% as income and reflect the accrual as an asset.

It must be recognized, though, that the Trust Funds themselves are inviolate until they have been "defeased," or until the last bonds have been paid off. Therefore, the actual payment of the accrual may not occur for several years. It is suggested that the Bank legal staff explore this option in detail to determine its feasibility.

THE GUARANTEE FUND

The Guarantee Fund is that fund which is required by law and by good banking practice to provide for the payment of defaults and other claims. NDCC 15-62.1 mandates a guarantee fund, and allows the face amount of loans to be made to not exceed ten times the amount of the fund. For example, if the guarantee fund contained \$400,000, loans amounting to \$4,000,000 (\$400,000 x 10) could be made.

One can quickly see that keeping defaults to a minimum will have a direct and immediate effect on the number of loans that can be made.

Resources to establish and enhance a guarantee fund could come from several different places:

- (1) It is likely that the Bank of North Dakota could provide resources to a guarantee fund from accounts, income, or other funds and resources available within the Bank itself. The decision as to the extent and source of such contributions is a Bank decision.
- (2) It is not unreasonable to expect the students to assist in providing for their own defaults by the charging of a "guarantee fee." Currently the GSL program charges a 1% "insurance fee," which is another name for a guarantee fee. The student is also charged a 5% "origination fee". As a result, the student currently receives 94% of the face of the loan as cash proceeds, but is required to repay 100% of the face.

With that model in mind, it is suggested that a guarantee fee of at least 5% be established. Working through

the mathematics, then, on \$4,000,000 in loans made as described above, the 5% guarantee fee would provide an additional \$200,000 to the guarantee fund. When the multiplier of 10:1 is applied to the \$200,000, an additional \$2,000,000 in loans would be available. Of course, the loans that could ultimately be made would be reduced to the extent that defaults were charged against the fund.

- (3) It may be reasonable to ask the postsecondary institutions themselves to invest in the Guarantee Fund. This practice was followed in the mid 1960's when the United Student Aid Fund (USAF) was one of the early providers of guaranteed student loans. One would expect that any contributions our institutions made would not be related to the number of loans that students attending that institution could receive. To tie loan proceeds available to institutional contributions would be to discriminate against schools not having uncommitted resources available for such a program.
- (4) Even though the current economic climate in North Dakota is not favorable, one should not preclude going to the next legislative assembly and requesting a direct contribution from the general fund.
- (5) A final source of more loans, but not necessarily more funds, is to change the guarantee ratio. Were the ratio changed from 10:1 to 7.5:1, for example, the loans made would rise from \$4,000,000 to \$5,333,333. Changing the guarantee ratio must be undertaken with great caution, however. Any lowering below 10:1 must be done only after significant study of current default rates under the GSL program, and projections of anticipated rates under a program such as in a new system of student credit.

SIGNIFICANT ADMINISTRATIVE ISSUES

- (1) CO-SIGNER, CREDIT CHECK REQUIREMENT: One of the most significant factors leading to the viability of the

new system of student credit itself is that co-signers and credit checks be required on all applications.

A co-signer is necessary because the program will be wholly owned and operated by the State of North Dakota through the Bank of North Dakota. There will be no guarantee or subsidy from the federal government. The program must be self-supporting, and must be designed to minimize the potential for loss, not only of the principal of loans made, but also from loss of interest earned from those loans. Since most students in and of themselves have neither the income to pay the interest, nor the innate credit worthiness to guarantee payment of principal, a co-signer fills the void of uncertainty by guaranteeing payment.

Who is qualified to serve as a co-signer becomes more of a lending decision than an educational decision. For the traditional "dependent" student, the parent will act as the co-signer in the majority of cases. Designating the co-signer for "independent" students becomes less clear. If the student is single, likely the parent would or could co-sign. For married independent students, the central question is whether or not the spouse is a qualified co-signer. That is a particularly critical question if the husband and wife are both students. Obtaining a qualified co-signer will be critical not only for repayment purposes, it is important, too, since it is very likely that the co-signer will be the party responsible for the payment of interest during the in-school period. (See page 15, Interest Rates)

It is suggested that the Bank staff research the PLUS program and other state operated programs to determine their use of and definitions for being a qualified co-signer.

Since the future of the program depends in large part on maintaining a low default rate, it is also strongly suggested that a credit check for credit worthiness

be done. For the same reasons a co-signer is needed, the credit check can likely not be done on the student. The credit check must be performed on the co-signer.

Once the question of performing a credit check has been resolved, the next step must be to determine what constitutes a valid credit check. One problem may be that, particularly in the farm community, families who need this loan due to ineligibility for the GSL, because of equity only, may not be able to exhibit cash flow potential or credit worthiness if one were to use a commercial credit check procedure.

The Minnesota S.E.L.F. program determines that a co-signer who is credit worthy has no credit bureau balances discharged and has no more than 5% of current credit bureau balances past due. If the co-signer has no record on file at a credit bureau, a personal financial statement must be submitted (perhaps the ACT-PFS) and the co-signer must have a personal net worth at least equal to an amount ten times greater than the loan requested.

In conjunction with the research suggested for the co-signer, it is further suggested that companion research be undertaken to determine what agencies and programs, other than S.E.L.F., use for credit checks.

- (2) DEFERMENTS: It is reasonable to assume that a limited number of deferments should be allowed. Deferment in this context should be defined to allow a postponement of payment of principal only. Since the family/student will be paying interest during the in-school period, it follows that any circumstance that would allow for postponing payment would not include interest payments.

It is suggested that the only major deferment of payment of principal authorized be for full-time attendance at a postsecondary institution. This deferment would be used in the circumstance of a student holding a

loan, leaving school with the resultant start up of payments on principal, and subsequent return to school. There will be those who would extend this deferment to students who are one-half time or more. To maintain consistency with the recommendation that the loan itself be available only to full-time students, it follows that deferments should follow the same pattern.

While full-time attendance would be the only deferment suggested, prudent lending policy would suggest that the flexibility be given the lender to grant deferments in certain exceptional, documented cases.

- (3) GRACE PERIOD: It is suggested that a "grace period" of nine months be authorized. During the grace period, quarterly payments of interest would continue with payments on principal being delayed until the end of the nine-month period.

The grace period would begin at the point at which the student ceased to be a full-time student. Should the student return to college on a full-time basis during the nine-month grace period, the grace period would not be lost, nor would the portion be lost that was "used." A new nine-month period would begin the next time the student ceased being a full-time student.

Should the student use the grace period and actually go into repayment of principal, and then return to school on a full-time basis, the loan could be deferred for principal payment, but the student would not have an additional grace period upon ceasing full-time attendance again. At that time, the loan would immediately go into principal repayment.

Nine months is suggested as a grace period rather than six months. The current six months allowed by the GSL is very difficult to administer because it is a shorter period than the regular academic year. It should be noted that the GSL program has had nine-month grace periods in the past, and going from six

to nine months is currently a proposal being given consideration in the reauthorization process.

- (4) MULTIPLE DISBURSEMENTS: It is agreed that the new system of student credit should embrace the concept of multiple disbursements. The GSL program at the Bank has already implemented this procedure. While it may be appropriate to "fine tune" the process as the Bank and institutions work with it over time, it does appear to be a good vehicle for long term debt management and default control.

- (5) ENROLLMENT VERIFICATION: It is essential that a timely method of enrollment verification and reporting of dropouts be implemented. It is likely that a system parallel to that of the GSL could be used. Timeliness is important in order to assure that the student enters the grace period and ultimately the repayment of principal period at the appropriate time.

- (6) NON-DISCHARGEABLE IN BANKRUPTCY: It is unclear whether or not the new system of student credit could qualify as non-dischargeable. Since it is certainly desirable for this loan to be non-dischargeable, legal staff of the Bank may wish to undertake legal research to resolve the question. It has been suggested that the loan be declared non-dischargeable, thus putting the onus for proving otherwise on the student.

- (7) CLAIMS - WHAT CONSTITUTES A CLAIM? It is important that the circumstances which qualify a loan to be paid as a claim be carefully identified. By virtue of the previous discussion, bankruptcy would not be paid as a claim. On the other hand, the death or disability of the borrower may qualify. The correlative question requiring an answer would be whether or not repayment would be enforced against the co-signer in the event of the death or disability of the student. Perhaps the most obvious claims will be those resulting from non-payment of principal and interest payments due. Collection practices that use "due diligence"

procedures should be implemented and enforced prior to a loan being submitted as a claim against the guarantee fund. These procedures relate more to lending/collection principles rather than to education policies. Therefore, the focus for setting these procedures should rest with the Bank.

- (8) APPLICATION PROCEDURES: Earlier in this paper, the suggestion was made that the student must apply for all other types of aid prior to making application for a loan under this new system of student credit. It follows, then, that the majority of the applications may be originated by the institutions. Following the point at which the institution determines that a student is not eligible for the traditional forms of aid, or may qualify for a loan under this program as a supplement to other aid, the student would be informed of the existence of this new system of student credit, provided with an application form, and advised what procedures are then necessary to complete the application process.

This is not to say that the Bank of North Dakota cannot originate the application. There will be many instances where students contact the Bank directly for information and applications. The Bank's role at that point will be to provide the requested information, and also to inform the student that the application process for the traditional aid programs must be completed up front.

While not immediately or directly affecting the consideration of this new system of student credit, it should be noted that the application process for all of student financial assistance is at the beginning of what is likely to be a change of near monumental proportions. The advent of a so-called eight page ACT Family Financial Statement will likely replace or at least supplant institutional applications and perhaps even the traditional GSL application. Further, the likelihood that data will be transferred between ACT to institutions to

lenders and back again continues to increase. It is suggested that design of a new system of student credit cannot wait for these changes to occur, but that design of a new program be flexible enough to embrace these changes as they become available.

Perhaps it should be stated explicitly that a new, separate application will be necessary. While the existing student aid application processes and procedures will be an important part of the overall process for this new system of student credit, it will be identified as a separate program within the Bank. It will not be possible to co-mingle funds or procedures with the existing GSL program.

- (9) STAFF AND OPERATIONAL SUPPORT: It is suggested that additional staff and operational support for the new system of student credit will be necessary to allow it to function effectively. Given the current demands on the lending and guarantee functions of the GSL program, and the care that will have to be taken to keep the GSL program separate from any new program, it may be unrealistic to expect current staff to develop, implement, and operate a totally new program. To be sure, this new system of student credit is likely to start small and grow slowly as it becomes known. It will likely be limited somewhat, too, by the size of the guarantee fund and the resultant number of loans that can be made at all.

It is suggested that overall direction for the program could come from the directors of the lending agency and the guarantee agency. It is in the clerical, processing, and collections functions that additional help will be needed.

Equally important will be adequate support for data processing services. Since interest will be collected from the families on a regular basis, programs may have to be developed or updated to accommodate that function.

As the Bank and the public institutions of higher education in North Dakota carry on continuing conversations about ways in which we can use data processing technology to provide more efficient and more effective procedures, this new system of student credit should be considered as an integral part of whatever improvements or changes ultimately occur in the processing of student loans in general.

- (10) ADVISORY GROUPS - STEERING COMMITTEES: It is suggested that the lending agency and/or the guarantee agency formalize what have historically been excellent informal working relationships with college personnel from across the state. Based on the dynamic nature of the student loan industry as a whole, and facing what could well be major changes in existing programs, coupled with the possible implementation of new programs, it is essential to all concerned that the lines of communications between all parties be formal and open in both directions.

An advisory group or steering committee (the name is less important than the function) would provide the vehicle to allow everyone to flush out concerns before they become problems, to deal with the day-to-day administrative problems that inevitably crop up when dealing with tens of thousands of students, scores of institutions, and millions of dollars and to assist with the development of new forms. It is suggested that the membership for such a group could include but may not be limited to lenders, guarantee agency personnel, institutional financial aid personnel and students.

The result of this effort should be to give all parties the knowledge and confidence that our goal is a common one -- to allow the students to pursue the type of postsecondary training that will best meet their personal and career goals and objectives.

Senator STAFFORD. And with Senator Grassley's testimony, the Chair is about to say the committee, is adjourned until next Tuesday, the 17th.

[Whereupon, at 3:30 p.m., the committee, was adjourned subject to the call of the chairman.]

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